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SOUTH AND EAST ASIA REPORT

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CONTENTS

INTER-ASIAN AFFAIRS

Serious Rupture Possible in ASEAN-Indian Relations (Francis Daniel; BUSINESS TIMES, 12 Jul 80)	1
Most Asian Economies Show Surprising Strength (William Holstein; BUSINESS TIMES, 18 Jul 80)	2
Labor Leaders Criticize Multinational Corporations (BUSINESS TIMES, 28 Jul 80)	4
Research Program Focused on Worst Paddy Pest (Sulochini Nair; NEW STRAITS TIMES, 8 Jul 80)	5
Australia, Malaysia Sign Pact on Avoiding Double Tax (AFP, 21 Aug 80)	6
Rise in Philippine Exports to Thailand (PHILIPPINES DAILY EXPRESS, 25 Aug 80)	7
Nauru Invests in Philippine Fertilizer Firm (Rosario A. Liquicia; PHILIPPINES DAILY EXPRESS, 27 Aug 80)	8
Briefs Japanese Aid to Nepal	10

BANGLADESH

Food Reserve Reported Adequate (THE WORKING PEOPLE'S DAILY, 25 Aug 80)	11
---	----

BRUNEI

- Significant Improvement in Relations With Malaysia
(Thaung M. ine; BUSINESS TIMES, 23 Jul 80) 12

BURMA

- Improved Prospects for Thai Help Against Rebels
(Zaw Win; BUSINESS TIMES, 2 Jul 80)..... 14
- Public Opinion Sought on Proposed Citizenship Law
(Zaw Win; BUSINESS TIMES, 12 Jul 80) 15

INDONESIA

- President Denies Allegations Made in Thahir Case
(BUSINESS TIMES, 22 Jul 80) 16
- Jakarta Irritated by Australian Broadcasts
(Peter Rodgers; SYDNEY MORNING HERALD, 30 Jul 80) . 17
- General Questioned by Jakarta Prosecutor
(NEW STRAITS TIMES, 30 Jul 80)..... 19
- Indonesia Exports More LNG to Japan
(SINAR HARAPAN, 25 Jun 80) 20
- Vice President Malik Sues WALL STREET JOURNAL
(PELITA, 27 Jun 80)..... 22
- Budgeted Oil Income May Not Materialize
(BUSINESS TIMES, 29 Jul 80) 24
- Oil Boom Expected During Next Five Years
(BUSINESS TIMES, 31 Jul 80) 25
- New Contract for Oil Exploration
(HARIAN UMUM AB, 28 Jun 80) 26
- Rice Imports Postponed Due to Exceptional Harvest
(BUSINESS TIMES, 30 Jul 80) 28
- Population Growth Rate Down to 1.7 Percent
(SINAR HARAPAN, 17 Jun 80) 29
- 180 Billion Rupiahs Earmarked for Transmigration
(HARIAN UMUM BA, 16 Jun 80) 31

Three Public Health Problems in Indonesia (HARIAN UMUM AB, 19 Jun 80)	33
Development of Hydrocracker in Sumatra (PELITA, 18 Jun 80)	36
Sabang Harbor Seen as Contraband Haven (Isa Ismael; BUSINESS TIMES, 2 Jul 80)	38
Embezzlement Case in Hongkong Branch of Bank Indonesia (BUSINESS TIMES, 2 Jul 80)	39

MALAYSIA

Operations Against Communist Terrorists Described (Thaung Myine; BUSINESS TIMES, 18 Jul 80)	40
Former Communists Describe Involvement With MNLF (NEW STRAITS TIMES, 14 Jul 80)	42
Islamic Student Organization Critical of Radical Groups (NEW STRAITS TIMES, 2 Jul 80)	43
Umno Youth Warn Against Groups That Exploit Religious Issues (NEW STRAITS TIMES, 4 Jul 80)	44
Lee San Choon Calls for Support Against External Threat (KIN KWOK DAILY NEWS, 20 Jul 80)	45
Chinese Community Told To Respond Rationally, Not Emotionally (NEW STRAITS TIMES, 28 Jul 80)	49
Political Balance Vital to Multinational Society (SIN CHEW JIT POH MALAYSIA, 24 Jun 80).....	50
Chinese Community Urged To Defend Constitutional Rights (SIN CHEW JIT POH MALAYSIA, 9 Jul 80)	52
UMNO Economic Resolutions Arouse Sharp Reaction (SIN CHEW JIT POH MALAYSIA, 6 Jun 80)	54
Further Criticism	
North Korea Offers Technical Aid for Hydro Projects (NEW STRAITS TIMES, 2 Jul 80)	58

Increasing Demand for LPG for Home Use (BUSINESS TIMES, 12 Jul 80)	59
Mahathir on Malay Business Equity, Religious Extremism (A. Kadir Jasin Interview; BUSINESS TIMES, 22 Jul 80)..	60
Subsidies Help Bolster Paddy Production (Vong Nyam Ming; BUSINESS TIMES, 28 Jul 80)	62
Sabah Chooses Sponge Iron Plant Over Aluminum Smelter (BUSINESS TIMES, 5 Jul 80).....	64
Sabah Economy Experiencing Rapid Growth Rate (BORNEO BULLETIN, 12 Jul 80)	65
NEPAL	
King's Support by Rural Masses May Be Temporary (Sumanta Banerjee; BUSINESS TIMES, 14 Jul 80)	66
PAKISTAN	
Illegal Indians in Pakistan Asked To Leave (Basim Waras; JASARAT, 9 Jul 80)	68
Chinese, Romanian Cotton Teams Visit Scored (DAWN, 21 Aug 80)	70
Sind Self-Sufficient in Wheat (DAWN, 21 Aug 80)	71
Briefs Refugees Counted	72
PHILIPPINES	
Slowdown in Economic Growth Rate Predicted (BUSINESS TIMES, 19 Jul 80)	73
Payments Imbalance Narrowing Reported (Samuel V. Senoren; PHILIPPINES DAILY EXPRESS, 26 Aug 80)	74
Inequities in Tax Measures Noted (Editorial; PHILIPPINES DAILY EXPRESS, 25 Aug 80)	76
Profiteers Ignore Price Ceilings (Rose de La Cruz; PHILIPPINES DAILY EXPRESS, 23 Aug 80)	78

Export Drive, West German Trade, Oil Strike (BUSINESS TIMES, 25 Jul 80)	80
Cebu Seen as Focal Point of Opposition to Government (Jeremy Teye; BUSINESS TIMES, 21 Jul 80)	81
Integrated Approach to Rural Development in Bicol (Lucino Rebamontan; BUSINESS TIMES, 22 Jul 80)	83
Briefs Mindanao Projects Approval	85

SINGAPORE

Petrochemical Complex Has Good Prospects (BUSINESS TIMES, 17, 18, 19 Jul 80)	86
Production in 1982 Feedstock From Shell, Esso Ten Years To Break Even	

SRI LANKA

State of Emergency Declared To Halt Strikes (BUSINESS TIMES, 18 Jul 80)	88
Ambitious Economic Experiment Running Into Problems (David Housego; BUSINESS TIMES, 24 Jul 80)	89
Oil Exploration Contract Awards Approved (BUSINESS TIMES, 4, 31 Jul 80)	91
Seven American Firms Contract With Cities Service	

THAILAND

Editorialists Comment on Kriangsak Political Party (Various sources, various dates)	93
Supporters Said To Be the Rich, by Pricha Hongkraihoet Party To Be Coalition, by Nui Bangkhunthien Kriangsak Seeking Funds, by Ing Orn Role of Military in Politics Analyzed, by Ta Mo Lo Kriangsak To Have Central Role	

SERIOUS RUPTURE POSSIBLE IN ASEAN-INDIAN RELATIONS

Kuala Lumpur BUSINESS TIMES in English 12 Jul 80 p 1

[Article by Francis Daniel in Singapore]

[Text]

INDIA's recognition of the Vietnamese-backed Heng Samrin regime in Kampuchea has raised new problems for non-communist Southeast Asian nations trying to mobilise world support for a freely-elected, neutral government in Phnom Penh.

The Indian recognition, announced in New Delhi on Monday, also would make it more difficult to secure the withdrawal of 200,000 Vietnamese troops from Kampuchea through international pressure, according to officials of the Association of South-east Asian Nations (Asean).

India is the first major non-communist country to recognise the Heng Samrin government which until now had drawn support mainly from the Soviet Union and its communist allies.

Asean officials expressed concern that the Indian decision might influence some non-aligned countries to give legitimacy to the Heng Samrin regime installed with Vietnamese military power 18 months ago.

But they said it would not deflect Asean from its united stand on Kampuchea, which included the continued recognition of the ousted pro-Peking Khmer Rouge government now reduced to the role of a guerilla army.

Although the Asean countries had expressed bitter resentment over the Indian action, officials said they were confident that it would not set off a chain reaction among non-aligned states.

But Western diplomatic sources saw the Indian move as a big diplomatic boost to the Phnom Penh government only two months before the United Nations General Assembly debate on Kampuchean representation in the world body.

At the last General Assembly sitting in September, Asean had successfully marshalled overwhelming support to retain the Kampuchean UN seat for the Khmer Rouge even though

the ousted regime had been held responsible for the death of hundreds of thousands of Kampuchians during its four-year rule.

Asean leaders have condemned the atrocities committed by the Khmer Rouge during their reign, but they maintain that withdrawal of their support would only be to condone Vietnamese aggression in Kampuchea.

They admitted, however, that they would have to work harder this time to keep in the UN the democratic Kampuchean government of the Khmer Rouge, now headed by Khieu Samphan, in light of the Indian action.

Asean leaders were at a loss to understand the timing of India's move, coming as it did so soon after their joint condemnation of the Vietnamese military incursions into Thailand last month.

The condemnation was endorsed by five major Western industrialised countries — the United States, Canada, Australia, New Zealand and Japan — at a ministerial-level talks with Asean in Kuala Lumpur.

Singapore Foreign Minister S. P. N. Ganesan, in a vehement reaction, said the Indian decision served only the interests of the Soviet Union and Vietnam against those of Asean. He also questioned India's non-aligned status.

Singapore's English-language Straits Times, which often reflects government thinking, saw the Indian move as toeing a Soviet line against China.

"Whatever the professed motives, clearly India prefers to disregard Asean's interest to play the Soviet card — following the Soviet line that Vietnam needs support against a greater menace, China.

"It is a sad day that a respected leader of the non-aligned world has chosen to take sides in the Sino-Soviet struggle. For one who has never recognised the ousted Khmer Rouge re-

gime, India can surely play a more useful role by remaining truly neutral," it said.

The Bangkok Post newspaper, in an editorial headlined "Delhi's day of shame", said India's recognition had brought it into tighter alignment with the Soviet camp.

India's contention that its recognition would promote negotiations and keep foreign influence out of the region smacked of political double standards, the Post said.

The Chinese foreign ministry in Peking denounced the Indian move and accused New Delhi of conniving at Vietnam's aggression against Kampuchea.

Peking said that it was "exceptionally regrettable" and would only harm India's image.

The Khmer Rouge Radio said that the Indian decision was like giving an award to an expansionist and aggressive country — Vietnam.

Indian Foreign Minister Narashima Rao told Parliament in New Delhi last Monday that an overwhelming majority of political opinion in India supported the decision to establish diplomatic relations with the Phnom Penh government.

"The situation in Southeast Asia requires reduction of tensions and increased regional stability so that individual states in the area can develop their societies and economies," Mr Rao said.

He expressed the hope that India's relations with Asean countries would continue to develop.

But his optimism was not shared by Asean leaders who described the Indian recognition as "inopportune and unfortunate."

In summing up the Asean feeling, Indonesian Foreign Minister Mochtar Kusumaatmadja said: "India's recognition will not make relations with Asean easier. Whether there will be a serious rupture will depend on what we (Asean) decide." — Ruter

MOST ASIAN ECONOMIES SHOW SURPRISING STRENGTH

Kuala Lumpur BUSINESS TIMES in English 18 Jul 80 p 6

[Article by William Holstein]

[Text]

ASIA'S economy is showing surprising strength despite the economic gloom descending on the United States, Europe and Third World.

Though the industrialised economies heading into one of the worst post-war recessions and many developing countries are reeling under staggering debt loads, most of Asia appears on course for steady if modest growth in 1980.

China, Hong Kong, Indonesia, Japan, Malaysia and Singapore all expect their economies to grow by 5 per cent or more this year in sharp contrast to the negative growth rates being experienced by the United States and Europe.

Even Taiwan and the Philippines, both of which have been sharply pinched by rising fuel bills, are projecting growth rates of 5 per cent or more, a survey by United Press International shows.

"Our position on Asia as a whole is quite positive," Citibank vice president William Ferguson said. "I don't think there is a single country in Asia we are seriously concerned about, certainly nothing on the same scale as Peru, Zaire, Turkey or Jamaica. There hasn't been a country in Asia that has been in that category."

Mr Ferguson expects an overall growth rate for Asia's economy of 8 per cent to 10 per cent for the 1980s, which will make Asia increasingly important to both the European and American way of life.

"The world has not yet fully awakened to the economic reality and potential of Asia," Mr Ferguson said. "The United States, for example, still does not give the same attention economically and politically to Asia as it does to Europe and the Middle East. We will see in the 80s a greater realisation from the United States just how important Asia really is economically."

To be sure, rising prices of raw materials such as petroleum and slackened demand for some of Asia's manufactured products have dimmed the once-meteoric growth of Asia's export-oriented economies. Some former "miracle stories" are just managing to hold on.

South Korea, for example, projects a mere 2 per cent to 3 per cent growth rate in 1980, partly because of its domestic political upheaval but also because its exports no longer enjoy the same stunning success they once did. South Koreans are being raked by 25 per cent inflation and the national debt is expected to reach US\$26.7 billion by

year's end, the largest debt in Asia.

Taiwan, another "miracle" economy, suffered a trade deficit in the first half of 1980 because of a whopping 119.5 per cent increase in the cost of its petroleum. But Taipei is running hard to keep pace and projects an 8 per cent growth rate this year.

In general, Asian exporters of manufactured products are finding the recession in consumer countries has not dealt them the crushing blow they feared.

Although Hong Kong exporters are nervous about a downturn in sales of electronic toys and other luxury items, the Asian economies find themselves in the enviable position of making shoes, clothes, watches and other basic goods that American and European consumers need to live, whether in hard times or good.

"The reason Asia can maintain demand for many of its goods is that they are lower priced goods for discount houses and other lower priced outlets that receive greater demand during hard times," Mr Ferguson said.

A case in point is cars. Japan was the world's largest producer of cars in the first half of 1980 because European and American consumers eschewed domestic

brands in favour of the cheaper, more efficient Japanese vehicles.

Not all of Asia's success stories are manufacturers. Rising prices for raw materials, while hurting the industrial economies, have sparked boom times in Malaysia and Indonesia.

Malaysia expects a healthy 8 per cent growth rate this year largely because of its petroleum, tin, rubber, palm oil and other abundant natural resources. Indonesia, Asia's only member of Opec, also is enjoying windfall oil revenues.

The Philippines, whose economy has been wracked by 25 per cent inflation and a US\$10 billion foreign debt, has managed to keep its head above water on the strength of its raw material exports.

Economists note that the increasingly close

links among the five Asean members has contributed to the relative economic stability of the region.

Thailand is the other sickly member of Asean, besides the Philippines. Oil prices and the drain on its economy caused by the Kampuchean refugees and Vietnamese military pressure have hurt the country, but the analysts refuse to count Thailand out. Bright spots on its horizon include the start-up of natural gas wells in the Gulf

of Thailand and increased rice production.

Of Asia's 11 major economies, the only one projecting a negative growth rate this year is India, which is experiencing 20 per cent inflation, a 10 per cent fall in agricultural production and an overall minus 3 per cent economic growth rate.

Other reasons for Asia's relative economy buoyancy include:

- The presence of vast raw material deposits, including petroleum.

- The emergence of China from decades of isolationism.

- The higher productivity of its work force.

Indonesia, Malaysia and China all are exporters of oil and this has cushioned Asia from the full blow of the Iranian revolution and never-ending price spiral.

Japan, once almost completely dependent on Middle East oil, is diversifying its purchases of oil and increasingly is looking homeward to Asia for those fresh supplies.

China is selling oil to Thailand, Hong Kong, Japan and the Philippines, although China is no longer offering "good neighbour" prices, the supply of its oil has been a safety valve for several Asian economies.

The rich variety of South-East Asia's natural resources also has spared Asian countries from being single-product exporters subject to the whims of fluctuating international commodity prices.

Tin is Peru's economic lifeline, as is coffee for El Salvador and copper for Zambia. But no Asian country is quite that vulnerable.

China's emergence also has injected new growth potential into Asia, most economists agree. China is buying and selling large quantities of raw materials and is quickly moving into labour-intensive fields such as electronics and textiles.

Japan, Singapore and Hong Kong have been quick to benefit from China's modernisation plan by selling the necessary technology and expertise to get China's industry going.

But China's entry into labour-intensive fields also is forcing Singapore, Hong Kong and South Korea to "move up the ladder" toward higher-technology products because they cannot compete with China's vast reservoirs of cheap labour.

In that respect, China's emergence is a double-edged sword. — UPI

LABOR LEADERS CRITICIZE MULTINATIONAL CORPORATIONS

Kuala Lumpur BUSINESS TIMES in English 28 Jul 80 p 6

[Text]

MULTINATIONALS, riding high on the Third World's urgent need for foreign investments, have slowly bred enemies in the working class of Asia and Oceania.

Through their union leaders, the workers condemned "exploitation" by multinationals of Asia's and Oceania's labouring class in a statement issued after a little-known and unpublished meeting at the Philippine International Convention Centre last month.

The meeting was actually in preparation for a "big bang" — to be known as the United Trade Union Conference of Asia and Oceania. It will definitely be held sometime next year but at a place still to be designated. Only five countries were represented in the preparatory meeting — Australia, 16 delegates; Philippines, seven; Vietnam, two; India and New Zealand, one each.

However, it is unlikely the conference will be held in Manila because the union leaders will discuss, aside from multinationalism, the "repressive actions" of governments against labour unions. And the martial law government of President Ferdinand Marcos is one of those "repressive regimes," according to the leaders of the Manila meeting.

Ernest Beattsman, assistant national governor of Australia's

Building Workers' Industrial Union, told *Dep-tharion* before the meeting the Philippines bans government employees from organising labour unions.

Labour's main complaint against multinationals is exploitation of workers in developing countries, an accusation that the International Labour Organisation has confirmed in a recent study.

Other complaints are the use of workers in one country to attack the standards of workers in another country and the portability of the enterprises to defeat workers' struggles.

In a joint statement issued at the end of their meeting, the labour leaders said:

"In some countries these corporations speed up and exploit the workers, impose low wage standards and use the workers of one country to attack the standards of workers in another country."

The use of cheap labour in the developing countries dates back to the 1900s, according to the ILO. Use of this labour, ILO adds, was one reason for the "quick expansion of investment and international production."

"In practice," ILO says, "this advantage in relative wages is profitable not only to US-based multinational enterprises but to all multi-

national enterprises, including European and Japanese ones."

Broadly, multinationals go into assembling components of a product to processing and manufacturing parts of it.

The most usual practice, according to the ILO, is to set up subsidiaries to assemble components imported from the parent firm and re-export the assembled products to the market of origin.

"In the United States," ILO says, "this comes under the tariff schedules covering entry of goods produced abroad from components exported from the United States, under which import duties are payable only to the value added abroad."

This accounts for recent upward trends in exports of manufactured products by developing countries. This is especially true in finished products such as gloves and toys.

Because of the advantages that multinationals get, their direct investments of multinationals in developing countries have increased tremendously.

In Hongkong, investments totalled only US\$465 million in 1967. This grew to US\$460 million in 1972. In South Korea, the jump was from US\$17.5 million to US\$360 million; Malaysia, US\$163 million to US\$360

million; Singapore, US\$440 million to US\$150 million; and Taiwan from US\$453 million to US\$1500 million.

In the Philippines, according to a 1978 joint research project of the University of the Philippines Law Centre and the United Nations Asian and Pacific Development Administration Centre, average US direct investments grew at an annual average of 6.7 per cent from 1973 to 1976.

The study says this was an upsurge after a 1.1 per cent annual drop in the 1969-1972 period "due most probably to their anxiety regarding the volatile political situation in the country then and the expected termination in 1974 of the Laurel-Langley Agreement." This agreement gave the Americans the same rights as the Filipinos to own property in the country.

Operations of multinationals in the Philippines and other countries in Asia and Oceania have been responsible for the employment of some two million workers, according to ILO statistics.

This may appear very substantial, ILO says, "but its effects seem slight when compared with the total labour force in the Third World, which has benefited by it only to the extent of 0.3 per cent." Asia and Oceania contain about half of the world population.

RESEARCH PROGRAM FOCUSED ON WORST PADDY PEST

Kuala Lumpur NEW STRAITS TIMES in English 8 Jul 80 p 16

[Article by Sulochini Nair in London]

[Text]

A MAJOR research programme is under way to establish the migratory habits of the brown plant hopper in a new approach to win the battle against the pest which is menacing the padi crop throughout Asia's rice-growing countries.

Agriculturalists working in Britain and the Philippines are trying to determine whether the migration of these hoppers will be the answer to the effective control of this small insect, which now holds the record of being the worst pest of the world's largest staple food.

The Centre for Overseas Pest Research (COPR), a scientific unit of the British Overseas Development Authority, is financing the studies and monitoring the field research which is being carried out by a team in the Philippines.

COPR's head of Biological Sciences, Dr. Reg Chapman said annual loss of rice to the destructive hopper was fast approaching US\$1 billion and the area over which the pest posed a menace was increasing.

It is affecting countries from India in the

west to the Solomon Islands in the east and from Japan in the north to Australia in the south. The whole of South-East Asia comes under its plunder.

Scientists at COPR admit that the hopper menace began fairly recently, since the 1970s, and is closely connected to the introduction of the high-yielding 'miracle' rice in Asia.

"The hopper really became a pest when these new rice strains were introduced. The intensive use of fertiliser for high yields made the crop very tasty for the pests," said COPR's deputy director, Mr. Tec Jones.

To reduce the damage done by the insect, varieties of rice resistant to attack had been developed by the International Rice Research Institute in Manila. However, after a few years, changes in the insect's physiology enabled it to overcome the resistance of the plant and crop losses took an upturn again.

The COPR is financing studies on how these changes occur to produce better, longer resistant varieties of the crop.

Chemical warfare or the use of insecticides has proved not very effective in controlling the hopper

because application on the field is difficult as the insects clinging on to the rice stalks are protected from the spray by overhanging leaves.

So far, Dr. Chapman said the question of migration of the insect had been neglected in the region. The hopper is an important migrant, flying from China to Japan, where records are being made of the numbers coming in.

Scientists began studies on the flight capacity of the migrant hopper to estimate the distances they can travel and the likelihood of their being able to re-infest areas in which control operations had been carried out.

Dr. Chapman said studies on the amount of energy in the insect's body have revealed that it can fly for up to 12 hours and distances of up to 100 miles, depending on the direction of the wind. "This means the hopper is capable of flying from the Philippines to Indonesia or from Sumatra to Malaysia."

The team in the Philip-

pines is trying to establish whether the increase in hopper population is due to local breeding or migration.

"At present we can say with a fair degree of confidence that migration occurs but what we cannot say yet is how important it is to the control of the hopper in an area."

Damage by the hopper varies from a small percentage of the crop to the total destruction of whole fields in a condition known as "hopper burn" where the field looks as if it had been burnt dry by the sun.

Individual groups of rice stems can be infested by up to over 1000 insects but only a few are needed, he said, to reduce yields.

Scientists at COPR are also involved in an interesting project to determine the chemical content of the scent given out by certain insects, like the moth, to attract the male of the species.

They hope to make use of the information to find ways to curb the breeding of the insects.

AUSTRALIA, MALAYSIA SIGN PACT ON AVOIDING DOUBLE TAX

OW211225 Hong Kong AFP in English 0748 GMT 21 Aug 80

[Text] Canberra, Aug 21 (AFP)--Australia and Malaysia today signed an agreement to avoid double taxation.

This supplements agreements already made with Singapore and the Philippines.

The treasurer, Mr John Howard, told parliament today that a bill to ratify the agreement would be introduced into parliament and when given the force of law would operate in Australia from July 1, 1979 and in Malaysia from January 1, 1980.

In general, the agreement limits the tax which may be levied by the country of source on dividends, interest and royalties to which a resident of the other country is beneficially entitled. The limit is 15 percent of the gross amount of the income concerned.

Mr Howard said the limit would not apply to income connected with the permanent establishment that a resident of the other country maintains in the country of source.

"At present Malaysia taxes the profits of its companies but not the dividends paid out of those profits. The agreement provides, however, that should Malaysia tax dividends in future, the tax on dividends paid by Malaysian companies to Australian residents will be limited to 15 percent of the gross amount.

The double taxation agreement provides for certain income to be taxed in full by the country in which the income has its source. This includes income from land and income by public entertainers.

Items where the income is taxed only by the country of residence, includes pensions and annuities and payments made to teachers and professors during visits of up to two years to the other country.

Copies of the agreement have been distributed to Kuala Lumpur, Singapore and Manila at the offices of the Australian diplomatic missions.

INTER-ASIAN AFFAIRS

RISE IN PHILIPPINE EXPORTS TO THAILAND

Manila PHILIPPINES DAILY EXPRESS in English 25 Aug 80 p 19

[Text] The Philippines, for the first time in five years, recorded a surplus of some 8.5 million in trade with Thailand last year.

Total Philippine exports to that Southeast Asian country amounted to \$18.88 million in 1979, while imports were \$10.39 million during the same period, available data should.

Last year's Philippine exports to Thailand increased by 88.8 percent from 1978 figures, while imports decreased by 44.5 percent \$10.39 million from 1978 levels of \$18.73 million.

The big drop in import values last year was due primarily to the decrease in 'maize' and tin acquisitions from Thailand by the country which cost \$8.9 million and \$2.19 million, respectively, in 1979.

Exports, on the other hand, showed a steady increase from \$4.43 million in 1975 to the \$18.88 million last year.

Trade Minister Luis R. Villafuerte said that he hopes to maintain this balance in trade with Thailand with the implementation of the new export strategies underlined under the ministry's "Seven on Seven" export promotions program.

Among these are: pharmaceutical products, fertilizers, varnishes, paints, toilet soap, rubber tires, leather footwear, rubber footwear, slippers, umbrellas, marble products, metal containers for storage and transport; glazed ceramic sets, pumps and parts, escalators, bolts and nuts, screws, fabricated aluminum products, telephone parts and accessories, stringed instruments, lamps and lighting fixtures, fountain pens, ballpens, brooms and brushes.

CSO: 4220

NAURU INVESTS IN PHILIPPINE FERTILIZER FIRM

Manila PHILIPPINES DAILY EXPRESS in English 27 Aug 80 p 9

[Article by Rosario A. Liquicia: "Nauru Investing \$40-M in RP Fertilizer Firm"]

[Text] The Philippine Phosphatic Fertilizer Corp. (Philphos), the corporate vehicle for the country's \$370 million fertilizer project, is expected to finalize soon negotiations with Nauru Phosphate Co. for the latter's 40-percent equity in the venture.

Hammer Deroburt, Nauru head of state and president of the state-controlled fertilizer company, is arriving on Friday to thresh out with Philphos officials led by Miguel Zosa the remaining kinks in the negotiations.

Among the issues still to be resolved is the capital buildup scheme. According to industry sources, the government is inclined to ask Nauru to pay in full the 40 percent equity, which is equivalent to \$40 million.

The Nauru fertilizer firm, sources say, is asking for a "phased" capital infusion into the fertilizer venture.

Another important issue to be discussed by Philphos and Nauru is the pricing formula for the phosphate rocks which Nauru is offering to supply.

On the supply aspect, the government is negotiating with two other suppliers namely, Morocco, which holds 75 percent of the world's reserves of phosphate rock, and Jordan [as published]

The government will most likely tap the three suppliers for phosphate rock, sources say, adding that only the pricing formula for these rock supplies needs to be finalized.

The Philippines now imports phosphate rock from the US at \$47.15/ton. This amount, or the present average world price, cannot, however, be made the benchmark for the phosphate supply being offered by the three countries.

The fertilizer project in Leyte is expected to be in operation in three or four years, hence the difficulty in projecting prices by that time.

Among the three interested suppliers--Nauru, Morocco and Jordan--Nauru prices are reported to be highest, considering the high concentration of phosphate in the rocks.

The phosphate rocks now being imported from the US have a 75 percent concentration. Based on this, Nauru rock is expected to command a high price considering its 84 percent concentration.

Phosphate rocks from Morocco and Jordan are expected to be lower than the \$47.15/ton FOB US price because of their concentration of 72 percent and 70 percent respectively.

CSO: 4220

INTER-ASIAN AFFAIRS

BRIEFS

JAPANESE AID TO NEPAL--Tokyo Aug 22 KYODO--Japan will extend an aid in grant totaling yen 2,000 million to Nepal to be used for construction of power transmission and other public facilities, the Foreign Ministry announced Friday. Notes to this effect were exchanged in Katmandu Friday by Ambassador Minao Tsuchiya and Nepalese Finance Minister Goraksha Bahadur Nhuchhe Pradhan. Of the Japanese aid, yen 1,500 million will be used for the improvement and expansion of the electric power transmission and distribution system in the Katmandu area, and the remaining yen 500 million for purchasing of materials needed for the implementation of public facilities construction project, including roads, officials said. [OW251051 Tokyo KYODO in English 0850 GMT 22 Aug 80]

CSO: 4220

FOOD RESERVE REPORTED ADEQUATE

Bangoon THE WORKING PEOPLE'S DAILY in English 25 Aug 80 p 4

[Text]

Dacca, 23 Aug—President Ziaur Rahman said Saturday Bangladesh's 1.1-million-ton food reserve enough to meet the needs of the country ravaged by massive monsoon floods.

So far during the current monsoon season floods have destroyed or damaged more than 500,000 houses and an unknown amount of crops.

And the Government has yet to issue an estimate of the number of people who have died or been injured as a result of the flooding.

Unofficial property da-

mage is estimated at 45 million dollars. Ziaur said the country's food reserve is expected to increase to 1.5 million tons by June of 1981.

Ziaur told reporters during a tour of flood-damaged areas in Dacca that the Government will study a plan for a total agrarian reform for optimum use of land.

He also said when he meets Indian Prime Minister Mrs Indira Gandhi in September he will discuss the possibility of a regional summit involving their two countries and Pakistan, Bhutan, Sri Lanka and Nepal.—NAB UP.

SIGNIFICANT IMPROVEMENT IN RELATIONS WITH MALAYSIA

Kuala Lumpur BUSINESS TIMES in English 23 Jul 80 p 6

[Article by Thaung Myine]

[Text]

THE oil-rich Sultanate of Brunei, due to become fully independent from Britain in 1983, has been drawn closer to Malaysia after several years of strained relations.

Growing ties between the two Malay monarchies reached their climax this month when Sir Muda Hassanali Bolkiah made the first visit of a Brunei ruler to Malaysia in 17 years.

Sir Muda Hassanali held talks on future bilateral relations with Malaysian leaders during his five-day official visit. The substance of the discussions was not revealed but officials here said the 35-year old ruler impressed the Malaysian side with his grasp of regional and international affairs.

Sir Muda Hassanali also attended the official installation of the ruler of Pahang state as Malaysia's elected king. Under the unique system of constitutional monarchy in the Malaysian federation, the kingship rotates by turn among the nine royal houses.

The Brunei ruler was the only foreign monarch present and officials said this demonstrated the bond of friendship that had been forged between the two countries.

The initiative was taken by the Malaysian king. Earlier this year, he took his polo team to the pocket-sized Sultanate on Borneo island where it played friendly matches

against the Sultan's team.

Both the King and the Sultan are ardent polo players and officials said they warmed to each other not only in sportsmanship but also as royal kinsmen of the same Malay stock.

King Ahmad Shah's polo diplomacy was a sequence to intense diplomatic efforts by the Malaysian government to repair relations with Brunei.

The two states have had an uneven relationship since 1963 when Sir Muda Hassanali's strong-willed father, Sir Omar Ali Saifuddin, was the sultan.

In that year, after protracted negotiations, Sir Omar Ali refused at the last minute to join the Malaysian federation formed by what was then Malaya, with Brunei's neighbours Sarawak and Sabah and Singapore.

Singapore, predominantly Chinese in population, left the federation two years later fol-

lowing differences with Malaysian leaders.

Brunei's decision to stay out of Malaysia was ascribed to Sir Omar Ali's differences with Malaysian leaders over the question of his precedence among fellow sultans in the federation.

Another unresolved issue was the amount Brunei would have had to

contribute to the central government.

Occupying a land area of 2,226 square miles (5,763 square kms) and with a population of 215,000, Brunei's economy is geared almost exclusively to production of offshore oil by Shell Company and manufacture of liquefied natural gas jointly by British and Japanese interests.

Subsequent actions by Malaysia did not endear Brunei to the federation. In 1973, 10 political detainees, helped by Malaysian warders, escaped from prison in Brunei and were given refuge in Sarawak, which angered the Sultanate.

The fugitives included leaders of the outlawed Party Rakyat Brunei which staged a rebellion in 1963 that was put down with the help of British troops.

Malaysia's call in the United Nations for decolonisation of Brunei also irritated the government of the Sultanate. It retaliated by claiming

Limbang once part of the Brunei empire but now a part of Sarawak which cleaves present-day Brunei into two territories.

A change for the better took place after 1976 when Datuk Hussein Onn became prime minister in Malaysia. Datuk Hussein had not been involved in bitter wranglings over Brunei's entry into the federation and had a more open mind about the Sultanate.

Datuk Hussein made a point of paying his personal respects to Sir Omar whenever the two happened to be in London. These contacts paved the way for Datuk

Hussein to visit Brunei last year to attend the wedding of Sir Muda Hassanali's sister.

Meanwhile, contacts also took place at the government level and there was an increase in sports and cultural activities.

Informed sources said that through renewal of these relations, Malaysian authorities

had become increasingly aware of Brunei's political and economic stability and of the young Sultan's popularity.

Malaysian leaders were also impressed by Brunei's determination to assume its own defence against any reasonably predictable threat or combination of threats by the time independence arrives, they added.

The defence plans include raising three full-strength infantry battalions, formation of a composite artillery regiment, establishment of squadrons of battle tanks and helicopters and a naval flotilla comprising missile boats.

Sources said Malaysian leaders hoped that Brunei would seriously consider becoming an Asean member.

Asean groups Indonesia, Malaysia, the Philippines, Singapore and Thailand. The sources said Brunei's membership would not only be an economic gain for Asean but would also strengthen the position of Indonesia and Malaysia as the Malay element in the grouping. — Reuter

IMPROVED PROSPECTS FOR THAI HELP AGAINST REBELS

Kuala Lumpur BUSINESS TIMES in English 2 Jul 80 p 6

[Article by Zaw Win in Rangoon]

[Text]

BURMA is likely to need all the cooperation promised by Thailand for its 30-year-old fight against drug-running ethnic minority rebels along the two countries' 1,800-km (1,100-mile) border.

Informed sources say the continuing improvement in Burma-Thailand relations was exemplified by a visit here in June by Thai Foreign Minister Siddhi Savetalia

and one expected in the near future by Thai Prime Minister Prem Tinsulanonda.

But the sources also said that despite the improvement in relations and Thai promises of co-operation, joint military action has been ruled out.

Instead, cooperation was likely to take the form of more detailed and concerted arrangements to prevent any developments within either country that might be harmful to the other.

Burmese troops have been fighting communist and ethnic insurgents almost from the moment Burma became independent from Britain in 1948.

The guerillas are also involved in smuggling gems and other minerals, timber and drugs, which continues to be one of the

main sources of income for the rebels in this corner of the opium-rich "Golden Triangle."

The government of President Ne Win has made plain it will not concede the right of any racial minority to break away from the Burmese union set up in 1948 and further cemented by the Constitution adopted in 1974 after a national referendum.

Recently, it threw thousands of soldiers into the hills and mountains adjoining Thailand, to deal with the smuggling and drug-running separatist rebels.

In March, the military command claimed significant successes against Karen and Shan rebels in the southeast, near Thailand.

But in a conciliatory gesture that seems to have borne some fruit, President Ne Win granted an amnesty to communist and other rebels who gave themselves up by the end of August.

The government said that in the first two weeks of the 90-day amnesty, which was announced on May 28, some 150 rebels had surrendered. Many had been living for years in Thailand.

One of those who chose to return was 70-year-old Dohmu Aung, former Defence Minister and Speaker of Burma's Parliament who left the country in 1972 to join rebel exiles in Thailand.

He became chairman of the exile anti-fascist People's Unity Party, a splinter group of the now-defunct Parliamentary Democracy Party set up by former Premier U Nu to lead an armed struggle against the Ne Win government.

Bohmu Aung — Bohmu is the Burmese word for commander — said he once was in control of 100 men as "Chief of Staff" of an armed wing of the party.

But now he had given it all up as a lost cause, he told reporters on his arrival here earlier this month, and had surrendered to Burmese authorities with 40 of his followers.

The surrender was arranged through the Thai government.

He said that four years ago, the Thai government had given them the choice either to give up their arms or to leave the country. They stayed and settled down to jobs as labourers, which he described as hard work and underpaid because they were non-Thais.

Bohmu Aung said the rebel movement was dealt a severe blow two years ago when one of its leaders with whom he had once been associated was killed by Karen insurgents.

"The Burmese exile rebels no longer exist as a movement since the death of Bo Let Ya about two years ago," he said.

"Bo Let Ya was killed by the Karen insurgents who controlled the entire length of rebel territory from Mae Sot to the 'Three Pagodas' Pass on the Thai-Burmese border."

He said many Burmese exiles had been killed by Kaw Thu Lay (Karen) guerillas who followed a policy of destroying all the Burmese they could catch.

But Shan rebel leader Hkun Sa perhaps testifies to the elusiveness and tenacity of the drug trade in the "Golden Triangle."

The Thais says he has been forced out of their country while the Burmese say he is not on their side of the border.

After the operation last March against the Karens and the Shan rebels in the southeast, there was no word about Hkun Sa. He has not been reported captured either dead or alive. — Reuter

PUBLIC OPINION SOUGHT ON PROPOSED CITIZENSHIP LAW

Kuala Lumpur BUSINESS TIMES in English 12 Jul 80 p 1

[Article by Zaw Win in Rangoon]

[Text]

THE Burmese government has decided to wait another three months before deciding on a new law that could give citizenship to thousands of aliens.

The time will be used to seek public opinion on the proposed law meant to define the rights of citizens and safeguard their interests. Four years have already gone into its preparation.

"The process of consultations will be completed by October," one official said.

"We consider the citizenship law to be a life-and-death matter for the nation, which explains the long time for preparations and

meticulous care with which the law is being drafted."

The official law commission said in a statement earlier this month that the sole objective of the new citizenship law would be to protect the interests of the country and its people.

"The existing two laws, namely the Union Citizenship Act and the Union Citizenship (Election) Act of 1948, were drawn at the time of Burma's struggle for independence," the statement said.

"They were based on conditions then prevailing; they contain loopholes and therefore

need to be replaced by a new citizenship law," it said.

Burma, though a small country of 32 million people, is home for diverse national groups. The term "Burman" is officially taken to mean not only the major racial groups, such as the Karens, the Kachins, the Kayahs, the Mons, the Chins, the Burmese, the Arakanese and the Shans — it also include the sub-groups of nationals within the major races.

"We have compiled a list of more than a hundred (such sub-groups of) nationals but the list is still incomplete," Dr Maung Maung chairman of the law commission, told a meeting of officials.

These nationals, having lived together in Burma for centuries, are born citizens of the country and pose no problems in citizenship.

But Burma, at the time of gaining independence from Britain in 1948, was also host to thousands of aliens, descendants of mixed marriages between citizens and foreigners and the offspring of foreigners who had settled in the country for many years.

Cumbersome laws and bureaucratic practices have caused a pile-up of

pending applications for citizenship, although the authorities have tried in recent years to speed up the processing.

The problems of granting citizenship or naturalisation have been compounded by migratory pressures in the frontier areas from more densely populated neighbour countries.

Officials hope the new citizenship law will resolve these problems once and for all by defining in the clearest terms who should be accepted as citizens or naturalised citizens and what their rights would be.

On the other hand, President Ne Win has expressed his doubts as to the wisdom of allowing naturalised citizens into the country's defence, policy-making or decision-making branches.

The questionnaire prepared by the law commission asks the people whether naturalised citizens should be allowed to serve as representatives in public affairs, join Burma's defence forces or head government departments and public sector organisations.

The commission has also sought public opinion on the mechanics of granting or revoking citizenship — Reuter

PRESIDENT DENIES ALLEGATIONS MADE IN THAHIR CASE

Kuala Lumpur BUSINESS TIMES in English 22 Jul 80 p 20

[Text]

JAKARTA, July 21

THE Indonesian Attorney General has denied allegations that President Suharto received commissions from arms purchases abroad and that his wife received money and gifts with his knowledge.

The allegations were made in a court affidavit in Singapore by Mrs Kartika Ratna Thahir, widow of a high ranking official of the Pertamina state oil company.

At a special Press conference for local journalists yesterday, Attorney General Ali Said told them he had checked with the President about the allegations carried by the foreign Press and had been told that what Mrs Thahir said did not have any truth in it.

Mr Said also disclosed that he had summoned Mrs Thahir to come to Indonesia to explain her statements to the Singapore High Court now trying to sort out a three-way tussle for US\$35 million left by Haji Ahmad Thahir, the late assistant of sacked Pertamina director Ibnu Sutowo.

Aside from summoning Mrs Thahir, whose present whereabouts was not known, the Attorney General also said he has summoned a number of Indonesian government officials and private citizens for a hearing in connections with Mrs Thahir's statement.

According to her, these people who also received money from Pertamina's contractors.

The Singapore High Court is now studying the claims from Mrs Thahir, Pertamina and the children of the late Haji Thahir by another wife for the funds, at the moment in the Sumitomo Bank in Singapore.

Indonesia claims the money belongs to the state since it was obtained during Haji Thahir's tenure as a Pertamina official, while the two other parties claim it as an inheritance.

The Indonesian Press has not carried reports on the allegations about the President, his wife and a number of officials receiving money and gifts. — Reuter

CSO: 4220

JAKARTA IRRITATED BY AUSTRALIAN BROADCASTS

Sydney SYDNEY MORNING HERALD in English 30 Jul 80 p 6

[Article by Peter Rodgers]

[Text] THE ABC's former Jakarta correspondent, Warwick Beutler, reported from Singapore recently of allegations which linked President Soeharto with a \$32 million scandal involving Indonesia's national oil company, Pertamina.

As a follow-up story by Mr Beutler went to air next morning, two Jakarta daily newspapers, both known to reflect official thinking, complained bitterly about Radio Australia's anti-Indonesian propaganda.

The timing of these events may have been coincidental. But they underlined a fact likely to be of growing importance in relations between Australia and Indonesia.

Mr Beutler's story on latest developments in the so-called "Haji Tahir affair" bluntly showed that his forced departure from In-

donesia has not, and will not, stop the ABC and Radio Australia carrying stories which Indonesian officialdom considers to be politically sensitive in Indonesia's domestic setting.

Thus the 30 million or so Indonesians estimated to listen to Radio Australia heard an account of a claim by Mrs Kartika Tahir, second wife of a former top Pertamina official, Haji Tahir, to some \$A32 million he left in Singapore bank accounts when he died in 1976.

Pertamina, which also claims the money, alleges that Mr Tahir obtained it

from illegal "commissions" paid by Pertamina contractors.

The thrust of Mrs Kartika Tahir's defence of her claim, submitted to the Singapore High Court and heard by Radio Australia's Indonesian listeners, was that the money was legitimately obtained, that commissions were common practice, known, approved of, and indulged in by a variety of senior Indonesian officials including President Soeharto.

All in all, the Tahir affair amounts to a rather grubby and, for the Indonesian Government, embarrassing squabble over a dead man's

fortune. Local officials were aware that Mrs Tahir's allegations would receive unwelcome publicity in the foreign press.

A few days after her defence was submitted to the Singapore High Court, the head of Indonesian intelligence, General Benny Moerdani, gave a special background briefing to a small group of local newspaper editors about her claims.

The essence of his remarks was an appeal to the editors for "restraint" when the story appeared in the foreign press.

The fact that Radio Australia was among the first to have the story, thereby ensuring that it became widely known in Indonesia, was undoubtedly the last thing that Indonesian officials wanted.

In the longer term this particular incident raises some fundamental questions about the future of Australian-Indonesian dealings. They point to a period of growing difficulty in the relationship.

The scenario runs something like this. Indonesian domestic politics will become increasingly "heated" as the country's next general election in 1982 approaches,

followed a year later by its next presidential election.

During this period the Soeharto regime is likely to come under increasing pressure domestically which will be reflected in rising criticism of its achievements — or lack of them. This certainly does not mean that the regime will crumble and it is on the cards that President Soeharto will seek and obtain re-election in 1983.

But what it does mean is that there will be a steady growth in "sensitive" stories about domestic Indonesian politics. Radio Australia, although denied direct access to Indonesia, will still be able

effectively to monitor developments in the country. It will continue to broadcast stories to Indonesians, in Indonesian, which officials here will suppress in the local media.

The upshot will be increasing irritation and frustration at senior official levels in Jakarta. The key question is how long is it before such irritation spills over into official contacts between the two countries.

For the moment both sides seem to be prepared to treat the row over the removal of the ABC and Radio Australia from Indonesia as "unofficial". This distinction is artificial — after all, it

has been discussed at Foreign Minister level and in any case it is doubtful if it can be maintained.

The core of the problem is that Indonesian officials find it hard to accept that an Australian Government

which claims that it wants friendly relations with Indonesia can at the same time fund Radio Australia and thereby facilitate the broadcasting of stories which are regarded as negative or even subversive.

While the refusal to renew Mr Beutler's visa has received some criticism here, principally from within Indonesia's

Moslem community, one senior Indonesian official claims that "the unanimity of view" within Indonesia's security, intelligence and civilian bureaucracy over the decision is being reinforced by Radio Australia's subsequent coverage of Indonesia.

The irony in this of course is that the decision has done nothing to further the Indonesian desire for a "more positive" ABC and Radio Australia coverage of domestic Indonesian events.

GENERAL QUESTIONED BY JAKARTA PROSECUTOR

Kuala Lumpur NEW STRAITS TIMES in English 30 Jul 80 p 3

[Text]

JAKARTA, Tues. — The Jakarta prosecutor's office today called in a second retired general and former Minister for questioning over alleged anti-government activities.

District prosecutor Rustan Rasyid said retired Major-General Asiz Salleh was called to testify in connection with the three-week-old investigation of retired Lieutenant General Mohammed Yassin, a former deputy army chief.

Both men were among 50 prominent retired generals, politicians and intellectuals who last May sent a petition to Parliament strongly criticizing the 14-year-old administration of President Suharto, and accusing him of departing from the official State ideol-

ogy.

General Yassin also wrote an open letter questioning the President's leadership. This led to his interrogation on five separate occasions by the district prosecutor over possible slander charges.

Today the district prosecutor said Major-General Saleh, a former Health Minister, was questioned for about three hours on the petition and General Yassin's letter.

None of the 50 have been arrested. But several generals claim their right to travel abroad had been curtailed after the petition was sent.

President Suharto himself has not formally responded to the petition. — Reuter.

CSO: 4220

INDONESIA EXPORTS MORE LNG TO JAPAN

Jakarta SINAR HARAPAN in Indonesian 25 Jun 80 pp 1, 12

[Excerpts] As an export commodity from Indonesia to Japan, LNG (liquid natural gas) has a bright future, said Ir J. R. Oekon, general manager of P. T. LNG Arun, Ltd. at Blang Lanceng (Aceh, North Sumatra) on 23 June.

This extraordinary situation may be seen from the volume of LNG exported since the first shipment on 4 October 1978, he said. Based on our commitment to 5 Japanese buyers who are combined into a pool called JILCO, only 27 shiploads of LNG are supposed to be exported to Japan each year, each shipload holding 125,000 cubic meters of LNG (2.9 trillion BTU). However, the fact is that by 24 June, the volume of LNG exported to Japan during the past two years has already reached 100 shiploads.

Ir Oekon explained that the excess over the original target was due to the increased demand for LNG by the regular buyers as well as new enterprises in Japan. Sales to new buyers are carried out under short-term contracts without disturbing commitments signed with old buyers.

In this connection, excess production of P. T. LNG Arun is first offered to the old buyers, and, if they do not want it, the product is put up for spot sales in the Japanese market.

In answer to a question, Ir Oekon said that the price for spot sales is the same as for normal sales.

He explained that the LNG produced by P. T. LNG Arun is much better in quality than LNG produced by other exporting countries. This is not empty talk, but based on investigations by experts concerning LNG Arun's capacity, pressure and temperature, qualities accepted in the world markets.

Another advantage is that 90 percent of the price of Indonesia's LNG exported to Japan is tied to the price of oil. If the price of oil increases, LNG's price increases, too. The price of LNG Arun's first production was \$2.9 per million BTU, but by 1979 it jumped to \$3.7.

At present, the price of LNG has gone up again to about \$5 per million BTU. Only the head office of LNG Arun knows the exact price. Thus, every ship that departs for Japan carrying 2.9 trillion BTU brings us foreign exchange of about \$14.5 million.

Besides, P. T. Arun also produces condensates which are exported to New Zealand, Singapore and Japan. Since the first shipment, this commodity has earned foreign exchange for the state treasury valued at \$870 million.

Ir Oekon continued that since the first shipment of LNG, we have always fulfilled our commitments. "All commitments, whether to the old or new buyers, can be satisfactorily fulfilled always."

As regards sales of Indonesian LNG to the U.S. West Coast, this is still in the air, although an agreement with a buyer was signed as early as 1975. He said that the U.S. government has not given the green light to the import of LNG Arun.

According to original plans, P. T. LNG Arun will build 6 units of LNG processing plants, 3 of them for Japanese buyers, and 3 for U.S. buyers. Three units are already in operation to produce LNG for Japanese buyers.

Asked whether prospective U.S. buyers will be willing to buy LNG at oil-gauged price, Ir Oekon said he could not be sure. However, he added, the buyers on the U.S. West Coast are inclined to buy the LNG at a price lower than the market rate.

But why should we keep waiting for U.S. buyers when the number of Japanese buyers keeps increasing, he asked.

P. T. LNG Arun is an enterprise jointly set up by Pertamina and Mobil Oil, plus 5 purchasing enterprises from Japan, on a financial investment ratio of 50 percent from Pertamina, 35 percent from Mobil Oil and 15 percent from Japanese buyers.

Speaking about Indonesianization of the said enterprise, Ir Oekon said that we are moving in that direction, adding that there are 75 foreign personnel at the present moment. This number will be reduced gradually. Hopefully, the Indonesianization process will be completed by the middle of 1982.

However, said Ir Oekon, Indonesianization is not an easy-going process. It takes time to replace the foreign experts with local qualified people, for we must train them in the first place. We do feel the shortage of qualified Indonesian workers.

VICE PRESIDENT MALIK SUES WALL STREET JOURNAL

Jakarta PELITA in Indonesian 27 Jun 80 pp 1, 7

[Text] The reported case of Adam Malik secretly receiving money as collateral for his help to an American enterprise, Katy Industries, to get a contract from Pertamina Indonesia may apparently end up in a U.S. court.

Through the law firm of Melvin Belli in San Francisco, Vice President Adam Malik has sued The Wall Street Journal, which is published by The Dow Jones Company, Inc. in New York, for sullyng his reputation, according to a press release issued by the Office of the Vice President on Thursday.

"The said newspaper and/or The Dow Jones Company, Inc. should be held responsible for smirching my name and office which has been mandated to me by the Indonesian people," the release said.

The basis for the libelous charge before the court will be an article published in The Wall Street Journal on 9 June 1980, and an identical article under the byline of Jim Drinkhall published in The Asian Wall Street Journal on 10 June 1980, which involved the name of Adam Malik in secret payments.

"I wish to stress that I am not to be held responsible for any action taken by my private assistant Mr T. K. Adhyatman. Apart from his duties as member of my private staff, he has his own affairs to manage," the press release added.

Whatever compensation is decided upon by the courts in America and Indonesia which will handle the libel suit against the defendants will be donated to social institutions in both countries. In this connection, the plight of Vietnam refugees currently seeking a new livelihood in the U.S. has been mentioned.

Further developments of the case are being awaited.

In its June 10 issue, The Asian Wall Street Journal suggested that Adam Malik had received money amounting to \$316,000 for rendering services toward the acquisition of a contract for a joint venture between an American

oil company named Katy Industries and Pertamina Indonesia. It was mentioned that payment was received through one Irving Davidson. In his statement to a newspaper in Indonesia sometime ago, Vice President Haj Adam Malik said that he had known Irving Davidson since 1971 at the Indonesian Embassy in Washington, D.C.

This acquaintance started when Adam Malik, then Indonesia's foreign minister, urgently wanted to meet U.S. President Lyndon Johnson on an issue of national interest. The effort was not successful until a local employee of the Indonesian Embassy introduced Adam Malik to a lobbyist named Davidson. Adam succeeded in meeting with Johnson on the same evening after his contact with Davidson.

Subsequently, Davidson often rendered services in the interest of the Indonesian Republic. Adam Malik did not tell the newspaper whether Davidson received money from the Indonesian government for services rendered.

Malik said that sometime in 1971, Davidson and tens of his friends came to Indonesia as intermediaries for Katy Industries to get a contract from Pertamina. Adam Malik later sent them to Pertamina.

Since then, Davidson and friends have been visiting Indonesia once every three months. As reported in The Asian Wall Street Journal, Adam Malik admitted that he met Davidson while attending an FAO conference in Rome in his capacity as Indonesian foreign minister in 1972. Even as recently as one month ago, Davidson came to meet Malik in Jakarta. Adam Malik described his meeting with Davidson as "normal, as we have known each other for a long time." He vehemently denied that he discussed money matters or obtained a promise to get some funds.

According to Adam, his name was entangled in the money matter by Davidson, because he (Davidson) and his friends quarreled among themselves about the division of spoils. In order to absolve himself, Davidson let it be known that he had given money to Adam Malik's special assistant and some other persons in Indonesia, including Adam Malik.

The Asian Wall Street Journal report quoted documents and records of the Securities and Exchange Commission, a U.S. government agency which keeps watch on the flow of foreign currencies into the U.S. It is reported that the said Commission is making an investigation of Davidson and his friends.

With regard to Adam Malik's special assistant, he said that he summoned and questioned him. The assistant reportedly said under oath that he never received any money or promise from Davidson and his friends.

As foreign minister, Adam Malik admitted having signed many agreements with foreign countries, but the negotiations preceding the reaching of agreements were handled by other persons. "Nevertheless," he said, "people always say that I got something. That's fate."

BUDGETED OIL INCOME MAY NOT MATERIALIZE

Kuala Lumpur BUSINESS TIMES in English 29 Jul 80 p 1

[Text]

THE current bleak oil market and the shortage of oil rigs for exploration are expected to affect Indonesia's oil revenues adversely. These provide 75 per cent of the country's total budget receipts.

The government was expecting revenues from oil during the 1980-81 fiscal year to nearly double to some 8,600,000 million rupiahs (about \$22,934 million).

Hopes for increased oil income and more explorations appear dim following a recent statement by the state-owned Pertamina oil company that the present oil market is bleak while foreign oil firms operating here are suffering from a shortage of rigs.

The government in fact has been warned not to be over-optimistic over oil receipts, particularly in view of the unstable world oil market.

The warning came from the deputy chairman of the Parliamentary Commission for Economic Affairs, Santoso Donoseputro last January soon after President Suharto delivered a draft state budget, promising a bright economy during the 1980-81 fiscal year.

Mr Santoso said there had been prediction of setbacks in the world economic growth due to the oil price increases.

The Pertamina statement said the marketing of Indonesian oil to its principal buyer, Japan, was facing difficulties due to the current mini-glut.

Such a situation made it impossible for Indonesia to increase its oil prices, it said.

"We cannot sell our oil at high prices as consumers may not want to buy it," he said.

Being a member of the Organisation of Petroleum Exporting Countries

(Opec) Indonesia has been raising its oil prices in line with the Opec decision.

It markets various types of crude with low sulphur content sold at prices ranging from US\$31 to US\$46 per barrel.

Indonesia exports some 60 per cent of its oil production of 1.8 million barrels a day to Japan and any intention of Japan to cut its oil imports from Indonesia will seriously affect its oil revenues.

Earlier Pertamina disclosed a shortage of oil rigs in Indonesia,

causing the rental tariffs to increase sharply.

Exploration cost for one well at a depth of 2,000 metres on shore reaches between US\$2 and US\$3 million, and the cost is higher in remote and difficult areas.

Foreign oil firms are worried by the rig shortage, and fears have been expressed that the shortage may affect exploration activities both on and off shore.

Indonesian oil officials said steps were being taken to overcome the rig shortage.

"We hope that the shortage will be temporary so that in the long run it will not affect the revenue from oil," they said.

Many foreign oil firms are back to apply for exploration after a brief lull as a result of the massive financial crisis that led to the downfall of former Pertamina chief Ibnu Sutowo in 1975.

The bleak prospect was mainly caused by slight oil surplus in the world market and the efforts by certain countries to reduce oil consumption, they said.

They hoped that the market would start becoming better by the end of September. — AFP

OIL BOOM EXPECTED DURING NEXT FIVE YEARS

Kuala Lumpur BUSINESS TIMES in English 31 Jul 80 p 1

[Text]

INDONESIA **JAW** expect a new oil boom during the next five years due to increased spending on exploration, the state-owned oil company Pertamina said yesterday.

However, experts said the increase in exploration costs mainly result from inflation and greater expenses in drilling costs connected with operations in remote locations such as offshore fields.

"Indonesia's expected oil boom is more based on a steady increase in oil prices than an increase in volume," one foreign oil expert said. "Production is not to increase by more than 15 per cent over the four coming years, from the present 1.59 million barrels a day to 1.83 million barrels a day by 1994."

Foreign oil contractors are expected to spend US\$591 million by the end of 1980 in exploration costs, almost a 10 per cent increase in 1979's figure of US\$541 million, a Pertamina report said.

Before April 1981, Pertamina is to invest US\$118.3 million in offshore explorations. The investment will be financed one-third by it and two-thirds by foreign partners.

Industry sources stressed that although the exploration costs have risen sharply, the number of wells drilled this year stands at 61 as of May and is similar to drill figures in 1978 when costs were lower.

Of the 61 wells drilled, only 14 per cent resulted in oil finds.

Income from oil accounted for an estimated 65 per cent of Indonesia's current budget.

US oil firm Caltex Pacific has planned to raise its oil production in Indonesia, a company spokesman said today.

Its newly found seven oil wells have started production of 12,000 barrels a day, he said.

With the new wells, Caltex will be able to maintain its daily output of 750,000 barrels of crude oil a day, he added.

Caltex, the biggest foreign oil firm operating in Indonesia, managed to top its production up to one million barrels a day five years ago, but the production dropped due to lack of demand.

Caltex, which operates for Texaco Inc and Standard Oil Company of California, has a total of 4,600 employees of whom 83 per cent are Indonesians.

President Suharto expressed hope yesterday that a row between Indonesia and Britain over limits on imports of Indonesian garments could be settled amicably.

Trade and Cooperatives Minister Radius Prawiro said this after he reported to the President on the row which broke out in the open last week when the EEC announced it was radically limiting the import quota for Britain.

He said he was now hoping to reopen talks to solve the matter.

Asked about reports that Indonesia has already begun taking reprisals, Mr Prawiro said the government could not do anything if the textile manufacturers wanted to do this.

He made no mention of a £100 million (US\$230 million) deal which well-informed sources said had now been cancelled as the first major reprisal.

The sources said Merpati Airlines — a subsidiary of the state-owned carrier Garuda Airlines — had cancelled a contract to buy two Hawker Siddley 748 turboprop aircraft. — UPI, AFP, Reuter

NEW CONTRACT FOR OIL EXPLORATION

Jakarta HARIAN UMUM AB in Indonesian 28 Jun 80 pp 1, 3

[Text] The minister of mines and energy, Subroto, stated that there are still many possibilities to find new oil reserves in Indonesia.

He explained that investigation made in Indonesia has found about 40 drilled holes with oil deposits, and oil has been drawn from 11 of them only.

Recently, Ir Trisuto, director of Pertamina's exploration and production, told the press that among the 40 drilled holes, none located in the East and South has been touched.

Furthermore, of the 11 holes now in production, only 30 percent of the oil has been tapped. The remaining 70 percent could be drawn by means of more advanced technology.

During the signing ceremony for the production-sharing contract between Pertamina and Conoco Sumatra, Inc. yesterday, Minister of Mines and Energy Subroto said that at present about 36 contractors are at work in 61 areas throughout Indonesia. Of this figure, only 18 contractors are producing oil.

The areas being worked by contractors are situated on Riau and North Sumatra, collectively known as the Mahato Mandian Block, measuring 6,500 sq kms.

Certain terms in the contract stipulate that the 6,500 sq km of land will be returned to the government in stages, so that by the end of the sixth year only 1,625 sq km of land will remain under exploitation.

Conoco is required to put up exploration funds totalling not less than \$90 million during the first four years of the contract. During the said exploration period, Pertamina is not required to make an exploration investment. The contractor's expenditures, which was higher than Pertamina's before the contract was signed, will not be charged to Pertamina if no oil is found.

Pertamina gives a 50 percent participation, which means that production and costs are equally divided between Pertamina and Conoco Sumatra, Inc. Furthermore, Conoco's share is again split in line with the new stipulations of the production-sharing contract, that is, 85/15 for crude oil and 70/30 for natural gas, after taxes.

Conoco is required to pay corporation tax and tax on interest, dividend and royalties directly to the government.

Conoco is prepared to pay a data compensation bonus of \$40 million and a production bonus of \$10 million if and when production reaches 30,000 bbl per day; \$20 million when production reaches 50,000 bbl per day; \$50 million when production reaches 80,000 bbl per day; and \$100 million when production reaches 150,000 bbl per day.

Conoco is also required to make available its oil share for domestic BBM needs on a proportional basis at a price of \$0.20 [SIC] per barrel after the fifth year of production.

Quite apart from its 50 percent share of the total oil production, Pertamina has the right to sell not less than 75 percent of the total oil production.

If it finds some oil for commercial purpose, Conoco is prepared to offer 10 percent of its share to any Indonesian enterprise designated by Pertamina.

If production exceeds 175,000 barrels per day, Conoco is prepared to make available 10 percent of its share to be refined in Indonesia or to build an oil refinery.

Conoco was represented by Mr H.V. Ward, president of Conoco Indonesia, while Pertamina was represented by its Director General Piet Haryono at the signing ceremony held in the presence of Minister of Mines and Energy Subroto.

9300

CSO: 4213

RICE IMPORTS POSTPONED DUE TO EXCEPTIONAL HARVEST

Kuala Lumpur BUSINESS TIMES in English 30 Jul 80 p 18

[Text]

JAKARTA, July 29

INDONESIA is to postpone contracted imports of 600,000 tonnes of rice until at least October because of an exceptional local harvest. National Logistics Board (Bulog) chief Bustanli Arifin said today.

Mr Arifin told reporters that storehouses were overflowing with purchases from local crops. Bulog had bought 1.5 million tonnes of rice for its buffer stock from local farmers this year, 300,000 tonnes more than in 1979.

The buffer stock now stood at 2.3 million tonnes. Bulog's own storage facilities could hold only 1.3 million tonnes so the government had rented private storehouses for the balance.

"We cannot handle further imports at this time because we already have 200 per cent more rice than expected," Mr Arifin said.

Indonesia normally accounts for nearly one fourth of all rice traded internationally each year. Last year it imported about 1.9 million tonnes mainly from China, the United States, Taiwan, Thailand and Japan.

Mr Arifin did not say whether the postponement of imports meant Indonesia would reduce earlier plans to purchase a total of about 2.5 million tonnes of rice this year. More than one million tonnes have so far been imported but complete figures were not available.

Indonesia is this year expected to produce a record crop of more than 12.5 million tonnes compared to about 17 million tonnes in 1979.

Growing domestic consumption, distribution problems in some parts of the country and the government's wish to maintain stable floor prices have made continuing imports necessary.

— Renter

POPULATION GROWTH RATE DOWN TO 1.7 PERCENT

Jakarta SINAR HARAPAN in Indonesian 17 Jun 80 p 3

[Excerpts] The rate of population growth in West Java has been lowered from 2.4 percent to 1.7 percent per annum. It is even planned to lower it further to between 1 and 1.1 percent per annum.

Dr Sumarno, chairman of West Java's National Family Planning Coordination Board (BKKBN), expressed hope Saturday that the success in slowing down the birth rate would greatly help the government's effort in improving the living standard of the people in West Java.

To check the success claimed by Dr Sumarno, a census will be held in October this year to find out the exact population in West Java.

Dr Sumarno explained that there are 1.8 million people in West Java who are practicing the family planning program. This figure will be increased to 1.9 million during the fiscal year 1980-81. To economize on its budget, the BKKBN in West Java will try to advise participants to transfer from the Pill to IUD's.

He added that compared with IUD's, the cost to manufacture oral contraceptives is much more expensive. That is why the authorities prefer the use of IUD's for family planning acceptors.

But there are obstacles against IUD's, he said, especially in areas where Islamic theologians are still against the use of mechanical devices as a birth control method. There are women who are too bashful to have IUD's inserted into them by doctors, even more so if the doctor is male.

The BKKBN also feels the shortage of medical personnel and paramedical people (midwives) to act as field workers. A number of public health centers in West Java are currently short of doctors and midwives.

Nevertheless, much progress has been made in the usage of IUD's as a contraceptive device. In Indramayu, only 2.6 percent of family program participants used IUD's in 1979-80, but the figure has risen to 6 percent by May 1980, and it is planned to increase it to 10 percent.

Also, the users of IUD's have increased from 3 percent to 7 percent in Pandeglang, although this area is known for its large number of Moslem theologians. Best results were recorded in the Bandung regency (pop. 2.4 million), where users of IUD's have increased from 10 percent to 19-20 percent out of the total family planning participants.

It is hoped that by the end of March 1981, the target of new 650,000 family planning participants in West Java will be reached.

9300

CSO: 4213

180 BILLION RUPIAHS EARMARKED FOR TRANSMIGRATION

Jakarta HARIAN UMUM AB in Indonesian 16 Jun 80 p 3

[Excerpts] The central government has earmarked a budget of 180 billion rupiahs for the year 1980-81 for national transmigration projects in an effort to spread the population out to new territories for agricultural land reclamation and resettlement purposes.

This was disclosed by the vice minister for transmigration, Martono, in answer to a question posed by ANTARA News Agency before leaving Denpasar, Bali, Saturday morning, accompanied by Bali Governor Mantra.

The central government has set a target of 500,000 persons to be migrated during the current Third Five-Year Plan.

Transmigration will be carried out in stages, that is, about 50,000 persons in the first year of the Third Five-Year Plan, about 75,000 persons in the second year, another 1000 persons in the third year, whereas about 125,000 and 150,000 persons will be migrated in the fourth and fifth years, respectively.

It is worthy of note, however, that some 75,000 persons are to be migrated in the current first year of the Third Five-Year Plan, which is 25,000 persons in excess of the target. This extra figure was added to from among last year's quota of 100,000 prospective transmigrators, the minister explained.

Vice Minister Martono confirmed that for the past eight years the World Bank has been granting aid for transmigration projects in Indonesia.

The head of each household to be transmigrated needs U.S.\$5,000 or 3 million rupiahs from his area of origin to his final destination of resettlement, including costs of facilities the household will receive in due course.

The national transmigration project has been progressing smoothly. "For example, in January 1979 we could afford to send out about 400 transmigrators only, but about 4,000 people were migrated a year later," the minister said, smiling.

With regard to the fatal casualties that befell transmigrators in Toili and Sausu Tambarana, this was indeed appalling and represented the first disaster in the history of transmigration in Indonesia.

One hundred thirteen deaths was a considerable number, of whom 85 cases were caused by malaria, while the remainder were due to accidents or diseases carried by them from their areas of origin.

All health difficulties have been overcome by a medical team dispatched from Jakarta, according to Vice Minister Martono.

9300

CSO: 4213

THREE PUBLIC HEALTH PROBLEMS IN INDONESIA

Jakarta HARIAN UMUM AB in Indonesian 19 Jun 80 p 4

[Excerpts] Although the number of health institutions, services and manpower have been increased, three latent problems--the principal causes for mortality and morbidity in our country--are still difficult to be solved.

The three problems are lack of health knowledge, malnutrition, constitute the most difficult questions at the present time. They are the main sources for health problems, and are more vicious and cause more deaths than contagious diseases.

According to data released by the department of health, the mortality of infants under one-year old reaches about 800 thousand persons per year. On the other hand, contagious diseases such as cholera, dengue fever and others claim several hundreds of victims only.

It is estimated that about 90 percent of the population are ignorant about health knowledge. The remaining 10 percent comprise intellectuals, and the middle class and higher classes living in urban areas.

The majority of the people do not know how to prevent sicknesses, or maintain or improve their health in the generally accepted ways.

We are still at a loss as to why there is a snag in the dissemination of health knowledge. We do not know the causes for sure, but apparently some hidden forces are at work hindering the dissemination of health information. This has been manifested by the disappearance from the market of various books concerning health for the aged, babies and young children.

Such publications were available in book stores during the 1950s. They were cheap, and practical for those who can read Latinized words.

After the Gestapu/PKI movement, practically all books of this nature disappeared from the market.

It is apparent that some attempts have been made to hinder the dissemination of such books, so that they were not reprinted again. It was only after the importation of health books, particularly from the U.S., about 3 or 4 years ago that Indonesian health books began to reappear.

Up till now, the Indonesian department of health has not published a complete health manual on how to prevent and cure diseases, how to maintain one's health, etc. without the necessity of visiting a doctor.

Such a complete health guidance book is essential to the health of the people, but apparently the government is preoccupied with family planning problems. Guidelines and campaigns for family planning have reached a saturation point now.

Information and dissemination about analyses of various food nutrients is essential to the people so that they can keep up with their health.

In the past, the directorate general of nutrition of the department of health once published a book on composition of various food nutrients, but this publication is out of print today. It would be wise to reprint it.

Lately, more and more books about health, diets, nutrition and the like are appearing on the market. Their contents, however, are not fit for the general public. They are impracticable and expensive, too, costing between 1,000 and 5,000 rupiahs per volume.

The lack of nutrition may be caused either by ignorance of nutrition values or economic poverty of the people.

In deficient regions, such as several areas in Central Java and West Nusa Tenggara, the menu of the inhabitants is appalling. Their daily food consists of nothing but rice and vegetables, and sometimes even the rice is replaced with a secondary staple. It would be all right if the replacement was corn, but mostly it is dried cassava which has a much lower nutritive value. This is because the people cannot afford to buy rice. They rarely take food containing protein such as meat, eggs, fish, milk or nuts, because all are expensive in price.

Their income is enough only to buy carbohydrates, such as rice, tapioca, sugar and vegetables every day.

As a consequence of economic poverty and ignorance of health knowledge, the mortality figure among infants and children reaches more than 1 million persons each year.

As regards morbidity, Prof Dr Sulianti Saroso, chairman of Tianas Tia 1979 Group, stated that malnutrition victims among children under 6 years of age in Indonesia reaches 40.14 million persons.

The specifics are as follows: Sufferers of protein deficiency 10.45 million children, of Vitamin A deficiency 17.19 million children, of iron deficiency 12.5 million children. As for adults, it is estimated that their figures even exceed those of the children. Furthermore, some 13 million adults are also suffering from shortage of iodine.

Of the above-mentioned four deficiencies, that of protein is the most critical problem.

From the point of view of health science and nutrition, deficiency in protein causes a people to live without vitality.

The protein content of rice is low, that is, about 6 to 7.5 percent, whereas cassava and sweet potato contain only 1 percent and 1.8 percent of protein, respectively. Yet these three foodstuff dominate the daily menu of the people today.

As they rely heavily on rice and other carbohydrates for their food consumption, it is estimated that their daily protein intake is less than 25 grams, whereas the normal protein requirement for an adult (weighing 50 kgs) is one gram of protein for each kilogram of body weight, or 50 grams, per day.

The third recurring problem is contagious diseases. Various common contagious diseases in Indonesia are tuberculosis, lung consumption, cholera, venereal diseases, leprosy, dengue fever, snail fever and rabies.

Generally speaking, the number of fatal casualties from these contagious diseases is only in tens of people and by no means reaches millions.

The development in health personnel has now reached about 15,000 doctors and 100,000 nurses, midwives and orderlies.

By the end of the Second Five-Year Plan in 1978-79, besides the general hospitals established in each regency capital, the government also set up 4,353 public health centers, 4,180 polyclinics, 2,412 postnatal clinics--spread in all districts.

Each public health center is manned by a medical doctor and equipped with pharmaceuticals and facilities adequate to take care of the health needs of the inhabitants.

9300

CSO: 4213

DEVELOPMENT OF HYDROCRACKER IN SUMATRA

Jakarta PELITA in Indonesian 18 Jun 80 pp 1, 7

[Excerpt] Prof Subroto, minister of mines and energy, said that Spain has been chosen to carry out the development of a hydrocracker at Dumai, Sumatra, because it is technically and financially profitable to Indonesia.

The minister made this remark before the press after a meeting with President Suharto at Bina Graha yesterday.

Initially, he said, the countries interested in developing the hydrocracker project were Spain, West Germany and France. "We picked Spain, because it would be more advantageous to us. Moreover, that country already has had experience in this respect."

The Spanish enterprises which have dealt with hydrocrackers are two private companies called "Technicas Reuridas" and "Centurion," whereas West Germany and France would give the hydrocracker development project to third parties.

Subroto refused to comment on the background of the statement of the Indonesian ambassador to West Germany.

According to reliable sources, even if West Germany won the tender to develop the hydrocracker in Sumatra, it would commission the Spanish firms "Centurion" and "Technicas Reuridas" to implement the project.

Minister Subroto firmly denied rumors purporting that the hydrocracker in Dumai would be developed by Taiwan, although Spain is Indonesia's partner in this joint venture. He stressed that the Indonesian government picked Spain after a thorough comparison among the three applicant countries, namely, Spain, France and West Germany.

He said that Spain was proven to have the experience of building bigger hydrocracker plants in several places than those built or commissioned by other enterprises. That's why we chose Spain, the minister concluded.

Other sources said that the government chose Spain because the terms and conditions submitted by that country were not binding regarding the supply of raw materials and other aspects.

Not long ago, there was news questioning why the government chose Spain as partner in the joint venture for the development of the hydrocracker in Dumai, and why the choice did not fall on West Germany which is known for its technological capabilities. Meanwhile, there is also news saying that Spain will transfer to Taiwan the job of developing the hydrocracker plant.

9300

CSO: 4213

SABANG HARBOR SEEN AS CONTRABAND HAVEN

Kuala Lumpur BUSINESS TIMES in English 2 Jul 80 p 6

[Article by Isa Ismael in Jakarta]

[Text]

A TINY free port on the northern-most tip of Sumatra, once designed to wreck the economies of Malaysia and Singapore, is instead threatening Indonesia's own economy, according to officials in Jakarta.

The late President Sukarno, in an unsuccessful policy of confrontation to prevent the formation of the Malaysian federation in the 1960s, conceived the natural harbour of Sabang, on the tiny Sumatran island of Weh, as a possible alternative free-transshipment port to Singapore and Penang on Peninsular Malaysia's west coast.

The theory was that shippers from Europe would go in and out of Sabang and that Indonesia, then heavily dependent on Singapore as transshipment point, would ship its own goods through the port. The new federation would be left economically high and dry.

The plan, like many of the late President's schemes, was grandiose. It required a tremendous infrastructure in a remote area of only 30,000 people to establish an export processing zone and an industrial area handling billions of dollars worth of goods.

Long before the scheme could get off the ground, and money could be found to implement it, President Sukarno himself was disgraced in 1966.

The new government ended the indeclared Singapore left the Malaysian federation, and both countries boomed.

Soon, they were partners, along with Thailand and the Philippines in a new economic cooperation grouping of the Association of South-East Asian Nations (Asean).

The irony did not stop there. Sabang retained its free port status. In a turn of the wheel, it became a dumping ground for duty-free goods from Singapore and a smugglers' paradise.

Theoretically, goods leaving the island for the rest of Indonesia are subject to taxes. In practice it does not always work.

Customs officials in Sabang say that during January-April this year alone, they collected only US\$17,920 in duties.

Indonesian anti-smuggling force believe that in the same period, the country was cheated out of more than US\$7 million in unpaid duties.

Sabang's role as a contraband haven was highlighted last month with the arrest of a Singapore-registered vessel alleged to have been carrying a cargo of more than 100 tonnes of undeclared goods.

They included thousands of Indian-made sarongs, several built-up cars and foreign motor-cycles — the latter prohibited articles in Indonesia to protect local industry.

Investigators from the Attorney-General's Office are still working on the case.

The nine Malaysian and seven Singaporean crew, seeking to clear their names, are staying with the vessel meanwhile.

Such incidents are thought to be only the tip of the iceberg.

Customs and Excise Director General Thahir told reporters that only about 10 per cent of the goods going through Sabang could possibly be used by the population there. He has reminded everyone that duties must be collected on the rest if they are destined for Indonesia.

There is small chance, today, that remote Sabang could ever become an important alternative to Singapore since it still does not have the infrastructure.

In any case, Indonesia and Singapore are now helping each other.

The Indonesian government is developing a new industrial zone on Batam Island, just south of Singapore, with the active cooperation of the island republic's investors. It is expected to develop a booming business from the overflow of the increasingly crowded republic — in a total turnaround from the Sukarno dream. — Reuter

EMBEZZLEMENT CASE IN HONGKONG BRANCH OF BANK INDONESIA

Kuala Lumpur BUSINESS TIMES in English 2 Jul 80 p 20

[Text]

JAKARTA, July 1

INDONESIAN opposition parties today boldly rejected government explanations of a US\$6.4 million embezzlement case at the state-controlled Bank of Indonesia.

Members of the Parliament's Muslim and pro-democracy factions charged that the government was weak in its handling of the case and threatened to act on their own in resolving the issue.

The case first came to light last July, with the discovery that the bank's Hong Kong branch had over a five-year period granted credits to several dummy corporations and lost US\$6.4 million in the process.

The government tried yesterday to dispell doubts surrounding the case but raised more questions than it answered.

"The man who caused the US\$6.4 million loss is still at large," an opposition spokesman said today. "We are wondering if there is somebody else behind him."

Together, the Muslims and the Democrats hold 25 per cent of the votes in Parliament. They have the legal right to set up their own investigation team.

OPERATIONS AGAINST COMMUNIST TERRORISTS DESCRIBED

Kuala Lumpur BUSINESS TIMES in English 18 Jul 80 p 6

[Article by Thaung Myine]

[Text]

THAI and Malaysian security forces have killed 34 communist terrorists this year in their protracted war of attrition in the jungles along their common border.

Datuk Abdul Rahman Ismail, director of Criminal Investigation Department (CID), told reporters that 18 terrorists were slain in joint operations in southern Thailand on the border with Peninsular Malaysia.

For 25 years, southern Thailand has been the sanctuary for some 2,500 terrorists of the outlawed Communist Party of Malaya (CPM). About 300 have infiltrated back to Peninsular Malaysia since 1970.

Datuk Abdul Rahman said Malaysian security troops killed 14 terrorists, including two this month, in the peninsula and four more in Sarawak.

The CID chief did not give government casualty figures but official sources put them at 15 killed and several wounded by booby traps.

Datuk Abdul Rahman said Special Branch intelligence officers arrested 93 members of CPM's underground organisation called the Malayan National Liberation Front (MNLF) which sustains the terrorists with food, medicine and clothing.

Security officials regard the activities of MNLF as equally dangerous because without its support the terrorists cannot survive for long in jungles and hills which still blanket most of Malaysia's border states.

Tai Hong Yaw, 38, detained since 1975 without trial for MNLF activities, told a Press conference in Kuala Lumpur this week that, as a co-owner of a construction firm, he contributed money and goods to CPM terrorists.

He said many other businessmen were doing likewise and called on them to stop helping the terrorists.

Datuk Abdul Rahman said police action against the MNLF underground had broken up large terrorist

formations and forced them to operate as small and less effective groups.

"From our intelligence and evidence, we have found that these remnant groups of terrorists have been forced to flee deeper into jungles and live only on tapoca," said the CID chief.

Datuk Abdul Rahman expressed appreciation for Thai military cooperation in drives against the terrorists and said combined operations would be launched again in future if necessary.

Thai authorities feel that the security situation in southern Thailand has vastly improved and now conduct unilateral operations against CPM terrorists without the participation of Malaysian forces, but Malaysian intelligence officials continue to monitor terrorist activities on the spot.

Datuk Abdul Rahman's disclosures would appear to signal a difficult situation for the terrorists in both Penin-

sular Malaysia and Sabah and Sarawak.

Security officials said 12 of the 14 terrorists killed in Peninsular Malaysia were in the vast state of Pahang where communist jungle fighters reached the peak strength of 180 under veteran terrorist leader Chong Chor in 1970.

They said Chong Chor's force was now reduced to fewer than 80 people broken up into small groups.

In Sarawak, where they were once a powerful force of more than 2,000 armed men and women dominating many populated areas, the terrorists now number below 90 and their identity is known to security forces, officials said.

Prime Minister Datuk Hussein Onn said recently that Malaysia's internal security situation now was under control but he warned the armed forces to maintain their vigilance and step up anti-terrorist measures.

Deputy Home Affairs Minister Tan Sri Syed

Ahmad Shahabuddin announced that the government would build a barbed wire fence along Kelantan state's border with Thailand.

He said a similar barrier on the west coast border states of Perlis and Kedah had proved effective and the new fence would plug a remaining gap in communist infiltration routes.

Once the security fence is up in Kelantan the only major infiltration route for CPM terrorists will be from Thailand's Betong salient jutting into Perak where barbed-wire barriers are not feasible because of the rugged, mountainous terrain.

For Perak, Datuk Hussein announced formation of several new army battalions and a regiment of main battle tanks and armoured personnel carriers.

A major air base is also to be built and Malaysia's first army corp headquarters will be formed in Perak within the next three years. — Reuter

FORMER COMMUNISTS DESCRIBE INVOLVEMENT WITH MNLF

Kuala Lumpur NEW STRAITS TIMES in English 14 Jul 80 pp 1, 32

[Text]

KUALA LUMPUR. — A self-confessed communist agent, his wife and two former communist supporters today called on the business community to stop filling up the terrorists' coffers.

Ex-communist agent Tai Hong Yaw, 38, who led pro-communist movements in Kampar, Bidor and Telok Anson in the late 50's today led three other communist cadres to denounce the Communist Party of Malaya (CPM) and its atrocities at a Press conference in the City Hall auditorium.

The three others are his wife, Yeoh Say Kheng, 35, Teh Kok Hwa, 31, and Goh Ten Long, 32.

Tai and his wife were arrested at their house in Kampung Pasir Wardleburn, Setapak, on Sept. 12, 1978 while Teh and Goh were arrested the following month for their involvement with the Malaysian National Liberation Front (MNLF), a satellite organisation of the CPM.

'Cheated'

Speaking on behalf of the four, Tai said the business community, especially building contractors, were being tricked into giving financial assistance to the communists.

Tai, who was involved in communism for the past 23 years, urged those providing financial aid to the communists to stop doing so and report the matter to the Government.

Tai was a partner in a construction company before his arrest.

He said: "We were used as tools and pawns and were tricked into actively supporting the so-called CPM armed struggle which brought misery, chaos and disaster. In fact, we brought insecurity, shame and misery to our own homes."

"Since our arrest we have come to realise that we have been deceived all along by their false propaganda."

"We have been cheated into contributing our hard earned money to support the MNLF and the so-called assault units that are dependant on the MNLF to provide logistics and other aid including finance."

"By their trickery and deception the MNLF had exploited and manipulated us to support the cause of the so-called armed struggle in Malaya aimed at overthrowing the existing system and to replace it with a communist dictatorship."

Tai said his interest in communism started in 1957 while he was a student at the Yoke Choy Chinese High School in Ipoh.

He said: "Under the influence of a classmate I was supplied with books and other communist study materials for my indoctrination and the gradual acceptance of foreign ideology."

"Under the pretext of studying Bahasa Malaysia we used to organise extra classes and discussed anti-government issues."

"In 1957 I was one of the radical students who supported and participated in a strike inspired, guided and directed by the initiated student groups of the Yoke Choy High School, Perak Girls High School and the Poh Lam High School in Perak to oppose Chinese schools being turned into English schools."

After he obtained a job, Tai spent much of his time directing and leading the pro-communist student movements in Kampar, Bidor and Teluk Anson.

He said sometime in 1975, being part of a manipulation programme to involve himself deeper with the MNLF, he was told to provide safe refuge for a wanted man in his house.

Tai said his wife was exposed to communism while she was schooling at the Perak Girls High School in Ipoh where she was supplied with materials on communism by an underground cadre.

He said: "Her task was to sew uniforms and caps for the terrorists in the jungle. She also helped to print and distribute communist posters and flags and writing for the MNLF newsletter. She was also ordered to harbour a police fugitive."

"If not for our timely arrest we would have been involved very much deeper and finally end up trapped in the web of no return."

Teh was a furniture salesman before he was detained. He was first introduced to communism in 1969 and five years later became a full-fledged member of the MNLF.

While with the MNLF he had donated large sums of money to the organisation, especially on festive occasions.

He was also used as a courier between his superiors and other MNLF members and on three occasions in 1975 distributed MNLF pamphlets at Batu Empai, Jalan Klang Lama.

Goh was the proprietor of a furniture shop in Jalan Gombak here before he was arrested. He was one of the financial supporters of the MNLF.

Tai said: "During our detention we had time to realise what we did was detrimental to the security of the nation. We now wash our hands from communism — a foreign ideology which has no place in our multi-racial society."

ISLAMIC STUDENT ORGANIZATION CRITICAL OF RADICAL GROUPS

Kuala Lumpur NEW STRAITS TIMES in English 2 Jul 80 p 8

[Text]

KUALA LUMPUR. Tues. — The International Islamic Federation of Student Organisations (IIFSO) will not support any Islamic extremist movement that had deviated from the true teachings of Islam.

"We will not act as the umbrella for extremist activities as their actions will weaken Islamic solidarity and disrupt the progress of Muslim countries," IIFSO's newly elected secretary-general, Mr. Mustafa Mohammed Tahan, said today.

IIFSO, he said, would only assist Muslim student activities and pro-

mote the well-being of the Muslims in line with the true teachings of Islam.

"We will, in fact, encourage Muslim students, especially those studying in the West, to involve themselves in religious activities to avoid falling into the trap of socialism and communism," he added.

Mr. Mustafa called on all governments not to interfere with student affairs inside campuses by allowing their police to enter the campuses.

Resolutions

He told a Press conference at the end of the IIFSO fifth international conference here that IIFSO would forward the resolutions passed during the conference to all Muslim countries.

The conference, he said, would urge all Muslim countries to ensure that the curriculum of schools and universities were consistent with the true Islamic concept of life.

The conference also called upon all Muslim countries to give more scholarships to Muslim students from countries where the Muslims were the minority.

Mr. Mustafa said the conference admitted 11 new members to IIFSO, including Malaysia, bringing its total membership to 36.

ISLAMIC YOUTH WARN AGAINST GROUPS THAT EXPLOIT RELIGIOUS ISSUES

Kuala Lumpur NEW STRAITS TIMES in English 4 Jul 80 p 11

[Excerpt]

KUALA LUMPUR, Thurs. — The Umno Youth General Assembly here today called on the Government to take firm measures against groups which were exploiting religious issues for specific gains.

Exco member Haji Dasuki Ahmad, in moving the resolution on behalf of the committee, said there were anti-national elements using religious issues as a platform to condemn the Government.

He said Umno Youth realised that a split among Muslims could threaten the strength and future of the Malays and Islam itself.

He said the movement also realised that pollution in Islamic teachings, deviation in the concept of "halal" and the misinterpretation of the essence of Islam and Islamic practice occurred among certain Muslims.

Haji Dasuki added that in view of the disturbing developments regarding Islamic teachings, firm action must be taken by the Government against those who exploited religious issues for specific gains.

Other proposals in the resolution were:

- The setting up of a Muslim Youth Complex by the Ministry of Culture, Youth and Sports as a centre for Muslim youth activities;

- THAT the Prime Minister's Department study the problems arising out of the confusion in

the teachings of Islam;

- THAT the movement supported all efforts by the Conference of Islamic Nations to unite and overcome all differences between Islamic nations; and

- TO protest strongly against Israel's intention to declare Jerusalem as a Jewish territory and federal capital.

A delegate from Besut, Encik Shafel bin Daud, in supporting the resolution, said there were three types of "dakwah" activities which were a threat to Islam.

These were the "Dakwah Songsang," "Dakwah Sesat," and "Dakwah Liar."

Encik Shafel said the Dakwah Songsang exaggerated minor issues while forgetting the basic Islamic struggle.

The Dakwah Sesat, he added, spread new teachings which were against Islam and the Dakwah Liar manipulated Islamic laws to condemn others.

LEE SAN CHOON CALLS FOR SUPPORT AGAINST EXTERNAL THREAT

Selangor KIN KWOK DAILY NEWS in Chinese 20 Jul 80 p 1

[19 July news report from Kuala Lumpur: "Government Policy on Chinese Education Reaffirmed"]

[Text] Reaffirming the government policy on Chinese education, Datuk Lee San Choon, president of the Malaysian Chinese Association (MCA), said: Chinese education will not be eliminated from Malaysia, and therefore the dispute over whether or not Chinese primary schools should exist here should now be laid to rest, and should no longer become a political football.

Reaffirming the MCA's stand on this issue, he stated that Chinese primary education will exist in Malaysia as long as the MCA exists, and the existence of the Chinese primary schools here is a subject that is not negotiable.

On the morning of 19 July, Datuk Lee San Choon delivered a speech marking the opening of a meeting of the MCA's district chairmen and secretaries, held at the Federal Restaurant. In his speech, he declared that some crafty politicians are capitalizing on the problem of the so-called "mother tongue" education in the Chinese society as an opportunity to raise their political prestige. He described this as a typical political fraud.

He said that the recent announcement of the report by the Cabinet Education Council and its related proposals has laid to rest some politicians' nit-picking or criticism against the existence of Chinese primary education in Malaysia.

He pointed out: As shown in its report, the Cabinet Education Council has promised to maintain the status quo on the educational front. This means that the Chinese primary education system will remain unchanged. In addition, the council also has proposed to improve the "mother tongue" education, suggesting that the primary education system be consolidated and that further efforts be made to strengthen Chinese primary education. The council called on the authorities concerned to work out a new schedule to

learn "mother tongue" language and to train more Chinese-language teachers to alleviate the current shortage in this field. The education report recommended that Chinese-language societies be established in schools to provide an opportunity for non-Chinese students to learn the Chinese language.

Datuk Lee San Choon said: The MCA has a very difficult role to play in Malaysia. Although the MCA now walks a political tightrope and should try its best to maintain a balance, its commitment to the realization of its ideal will remain unchanged. As a purely Chinese-based political party, in its pursuit of the national interests it will continue to insure that the legitimate rights granted to the members of the Chinese community are respected. This is an objective that the MCA will never give up.

Elimination of Extremism

He said: The MCA was founded 31 years ago. Since then, it has never evaded the heavy responsibility to preserve our country as a multinational society based on the principle of mutual trust and mutual understanding. Although the task of building a nation is difficult, it can be made easier by a sincere demonstration of mutual trust and mutual understanding among all parties concerned.

He declared that although competition and resentment cannot be avoided in a multinational country such as ours, every citizen has a duty to prevent any extremist trend from getting out of hand and to stop people from sowing seeds of suspicion and misunderstanding against the nation's interests.

He pointed out: Stability and the assertion of moderation and the doctrine of the mean constitute the cornerstones for our country. Extremism has no place in our country. If the style of moderation and the doctrine of the mean are upheld in one ethnic society, the people of other ethnic groups will certainly follow suit. The pursuit of extremism will end up destroying a multinational country. For this reason, every possible effort must be made to eliminate all forms of extremism.

He pointed out: The people of a multinational country must be able to distinguish the political pragmatists from political speculators. The demagogic and hackneyed speeches delivered by some political speculators recently have made the search for a solution to problems more complicated and more difficult than ever.

He said that the storms touched off recently by the extremists in our country show that stability in a multinational society can be easily weakened. He stressed that a political hero is the cheapest thing in the world because he does not need political capital to achieve that. He added that a nation that takes years to build can be ruined in a matter of minutes.

He said: There is no so-called standard method for seeking solutions to the problems now facing our multinational society. These problems can be resolved only through negotiations and mutual concessions. Such negotiations should be conducted in an atmosphere of mutual understanding and mutual respect.

He said: It is fortunate to note that since it won independence, great Malaysia, led by a moderate and pragmatic government, has consistently rejected any demands made by extremists. Furthermore, the United Malays National Organization, the MCA, and the Malayan Indian Congress have cooperated in settling conflicts as an insurance that the balance of power among the diverse ethnic groups will be maintained. The MCA and its other partners in the National Front have shared the responsibility to insure that moderate and pragmatic forces will continue to lead our country. But the continuation of such responsible leadership calls for the people's continuous support.

Chinese Society Gropes in Darkness

He pointed out: The MCA has consistently vowed to offer Chinese society responsible political leadership, and it has never gone back on its word. At present, the morale of the Chinese community is low. This will change if we can assess the situation we face today from a realistic point of view. We must strive to discard outmoded ideas so that we will not be pinned down by emotional disputes which have cost us a lot of time and have served no useful purpose.

He pointed out that the members of the Chinese community have spent too long a time groping in darkness.

He maintained that the time has come for us to review our past speeches and actions, to discard the outmoded ideas, to take a new attitude toward life, and to welcome new suggestions for reexamining the concept of value.

He said: The MCA has always been honest with the people and will never adopt an ambivalent attitude in dealing with problems. The MCA prefers to tell the truth even if it makes people feel bad, and to state facts that temporarily affect its political prestige, rather than adopt a short-sighted policy to cover everything up—a policy which will make it feel guilty of being dishonest to the people and evading responsibility. As a political party, the MCA knows how to seek to promote its political prestige, but it has refused to do so for the reason that [such action] would do the Chinese community and the country no good.

Spiritual Revolution

He held that the appeal to the Chinese community for a spiritual revolution is not a demand that the people of Chinese origin give up their cultural heritage. In this country, no one has the right to ask them to give up their identity. But excessive preoccupation with problems like that will

prevent us from taking the initiative to do something else and from making progress in all fields of work.

While calling on the people throughout the country to strengthen unity as a step in dealing with the development of the current situation in this region and in countering the external threat, Datuk Lee San Choon reaffirmed the MCA's support for Prime Minister Hussein Onn's call to become well prepared to meet any contingency.

Datuk Lee San Choon said: The MCA and Malaysia will face challenges in the years to come. The Chinese community will continue to be torn by disputes and lose its sense of purpose and direction unless its members recognize that it is important to achieve unity and take concerted action in the face of problems. A divided Chinese community will benefit neither itself nor the country.

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CHINESE COMMUNITY TOLD TO RESPOND RATIONALLY, NOT EMOTIONALLY

Kuala Lumpur NEW STRAITS TIMES in English 29 Jul 80 p 1

[Text]

KUALA LUMPUR. Sun. — The Malaysian Chinese community must identify the defects and issues arising in the country's multi-racial society without emotion in order to avoid being "bamboozled" by those wishing to harm them.

In giving the advice, MCA deputy president Datuk Richard Ho, who is also the Labour and Manpower Minister, added:

"There will never be a lack of political opportunists who will for their own selfish interests exaggerate and twist such defects and issues, regardless of unhealthy consequences.

"We owe it to ourselves and to all Malaysians

Malaysians to re-equip ourselves with this discerning ability, to avoid being bamboozled by those who wish us harm.

He was speaking at the political seminar on "The Challenges of the 1980's" organised by the Federal Territory MCA. He opened the one-day seminar on behalf of MCA president Datuk Lee San Choon.

Datuk Ho said that while views on finding the ways and means to remedy the defects to deal with the issues that have been identified might differ, "The objectives will be the same."

He stressed that differences of opinion should be thrashed out so that there would be greater mutual understanding and the

crystallisation of solutions acceptable to the majority.

"Personality clashes among participants must never be allowed to cloud the true goals of discussions here, which is the joint seeking of a path out of the jungle of problems.

"We should not waste precious energy and time beating hell out of one another when we should be together beating hell of our common enemies, which include extremism, poverty and social injustice," he said.

Earlier Federal Territory MCA chairman Mr Tan Koon Swan called on the Chinese community to get out of their emotional entanglement and to face hard realities in a multi-racial society.

They must react rationally and not emotionally to problems and frustrations, he said.

He "polished" out that many of them shunned politics because they felt that as long as they were all right, everything else must be, too.

Also, he said many Chinese felt that there should be more Chinese in the police and armed forces but at the same time they feel that their children should not be soldiers.

There were others who champion the cause of Chinese language and culture but send their children to English schools and non-Chinese universities overseas, he added.

Mr. Tan also called on the Chinese to understand the complexities of a multi-racial country where no community could have everything they wanted.

He felt that in present-day Malaysia, the problems of the Chinese community could not be solved in Parliament but within the Cabinet where negotiations were carried out.

On the need for tolerance and understanding, he said this must be practised by all communities and not just the non-bumiputras.

The Government must have the courage and political will to listen and to act on the grievances of both the Malays and non-Malays, he said.

POLITICAL BALANCE VITAL TO MULTINATIONAL SOCIETY

Selangor SIN CHEW JIT POH MALAYSIA in Chinese 24 Jun 80 p 16

[News report from Kuala Lumpur: "It Is Necessary for the Chinese Community To Strengthen Its Political Power"]

[Text] On 22 June, Datuk Li Chin-shih, head of the MCYL national organization, said: A balance of political power among the diverse ethnic groups in this country cannot possibly be achieved unless the members of the Chinese community work together to improve [the community's] political position. Datuk Li Chin-shih pointed out: whether our country can have a bright future and prosper depends on whether its government and all ethnic groups are determined to defend its constitution and act according to the principles it stands for.

He pointed out: The people of all ethnic groups in our country must strive to eliminate any form of extremism, and defend the pursuit of the doctrine of the mean as a way of life. Only in this way can our country meet the challenge of the future.

He said: Malaysia is a multinational country in which the people share the same aspiration to build their nation. The people of all ethnic groups must deeply understand the true meaning of the constitution of Malaysia and the principles it stands for and what they aspire to achieve. They must build their relations on the principle of mutual respect for their respective rights. Only in this way can they live as equals and bring prosperity to their country.

Datuk Li Chin-shih made the above statement in a speech marking the opening of a political training and study class sponsored by the MCYL political propaganda bureau in Kuala Lumpur.

He said: Ours is a multinational country in which the people of all races share the same hope for their nation's future and development, enjoy the same rights, and have the same obligations to fulfill.

"Therefore, in light of the nation's long-term interests, the people of all races must respect each other's aspirations and display a determination to defend the constitution and the principles Malaysia stands for. Only in this way can we live as equals with the people of other ethnic groups and bring greater prosperity to our country. The people of all ethnic groups in our country must strive to eliminate any form of extremism and defend the pursuit of the doctrine of the mean as a way of life."

He said: "We must prevent extremists from using the ethnic political contradictions to stir up troubles, in gross disregard of the spirit of constitution and principles our country stands for, or to create a situation which will eventually lead to disorder and will have direct adverse impact on the rights and interests of other ethnic groups."

"For this reason, the MCYL must constantly guard against any acts inimical to the interests of the Chinese community and must mobilize public opinion to deal them relentless blows. At the same time, we must redouble our efforts to defend the pursuit of doctrine of the mean as a way of life. Only by following the doctrine of the mean can we eliminate the dangerous extremist form of extremism."

On this occasion, Datuk Li Chin-shih also gave a detailed report on the MCYL's recent activities, including his meetings with the Prime Minister and the minister of education. According to him, during these meetings he briefed the Prime Minister and the minister of education on problems facing the Chinese community, and suggested ways to solve them.

CHINESE COMMUNITY URGED TO DEFEND CONSTITUTIONAL RIGHTS

Selangor SIN CHEW JIT POH MALAYSIA in Chinese 9 Jul 80 p 1

[8 June news report from Kuala Lumpur: "Li Chin-shih Calls on Chinese Community To Strengthen Its Political Position"]

[Text] Datuk Li Chin-shih [2621 6855 3740], head of the national organization of the Malaysian Chinese Youth League (MCYL) pointed out today that only by strengthening its political position can the Chinese community uphold the constitutional rights it has won through struggles.

He said: "I hate to see the Chinese community weaken its own political position, while the people of other fraternal ethnic groups strive to strengthen theirs as a step to protect their rights."

Datuk Li Chin-shih made the above statement in an address to a "four-happiness" joint banquet given by a branch of the Malaysian Chinese Association (MCA) in Kuala Lumpur on the evening of 6 July. He said: We have joined people of the other ethnic groups in Malaysia in making the same contributions to the struggle to develop our country and for national independence, thus enabling us to earn the place we deserve in the history of Malaysia and to enjoy the rights granted by the constitution. Such stature and rights granted to us by the constitution cannot be questioned, because we have won them with sacrifices. They were not presents sent to us without a price by somebody. For this reason, we must not hesitate to defend at any price the constitution approved by the three major political parties and the citizenship rights granted by it.

The citizenship rights granted to the people of Chinese origin by the constitution, or the five principles our country stands for, cannot be questioned. We must fully understand that the people of Chinese origin are legal citizens of Malaysia who enjoy the same rights as the people of other races, and who regard this country as the only place in the world where they and their descendants can live in glory and go about their business.

A proverb says: "The rise and fall of a nation is the concern of every citizen," Just like the youths of other races, youths of Chinese origin,

who are citizens of this country, should commit themselves to defend the territorial and sovereign integrity of Malaysia and to protect the lives and property of the people. The MCA again urges citizens of Chinese origin to join the police and the armed forces.

This call is as important as our earlier appeal to the people of Chinese origin to apply for citizenship. I must remind you that if your applications for citizenship are turned down, you can try again; if our nation is subjugated, it will never have the chance to stage a comeback.

A right is something invisible and abstract. Without strong political backing, it may just fade away.

As everyone can see, under the leadership of the United Malays National Organization (UMNO), Malays have made big headway in the political field, have disrupted the balance of power among the various ethnic political forces, and have blurred the picture of Malaysia as a multinational political society. The biggest loser in this change in the Malaysian political picture is the people of Chinese origin. This proves that political power is a major factor in determining the future of an ethnic group.

As everyone can also see, residents of Chinese origin are bound to suffer whenever their MCA-nominated candidates lose elections for parliament or city councils.

We can say with certainty that wherever an MCA nominee loses an election, it is not something to be celebrated but the beginning of a disaster to come on the part of the given local Chinese community. The reason is that if any government organization is not represented by the MCA, it means that the interests of the Chinese community can be ignored. Analogically, if I am not a partner in a company, do I have any right to share in its profits? This fully reflects political reality in a multinational democratic society.

Malaysia is unique country where the UMNO, the MCA, and the Malayan Indian Congress, which represent Malay, Chinese and Indian interests, respectively, have formed a partnership in ruling the country and in sharing the fruits of its development. No matter whether the people like it or not, this partnership is an ironclad fact that no one can deny. Whereas other ethnic groups are striving to strengthen their political power as a measure for protecting their rights and privileges, I cannot explain why the people of Chinese origin want to weaken their political position by striking the MCA to death.

It is delightful to note that the Chinese community has eventually raised its political consciousness, and more people of Chinese origin have joined the MCA. I want to take this opportunity to urge those responsible citizens of Chinese origin to join the MCA ranks, to rejuvenate the strength of the Chinese community, and to serve its members.

UMNO ECONOMIC RESOLUTIONS AROUSE SHARP REACTION

Selangor SIN CHEW JIT POH MALAYSIA in Chinese 8 Jun 80 p 12

[7 June news report from Kuala Lumpur: "Malay Economic Resolutions Arouse Non-Malay Concern"]

[Text] On 7 June, Datuk Li Chin-shih, head of the MCYL national organization, pointed out: The resolutions adopted by the Malay economic conference held by the UMNO are too selfish.

He stressed that such selfish resolutions are not only unrealistic but also may cause resentment among non-Malays.

Datuk Li Chin-shih, who is also chairman of the MCA Selangor committee, made the above statement to the press after attending a session of the MCYL Central Committee at MCA headquarters.

He said that if the 216 resolutions adopted by the economic conference are approved by the government, they will constitute an economic policy aimed at robbing A of its wealth to aid B.

Nonetheless, he hoped that when considering these resolutions, the government will take into account the present economic plight of non-Malays.

Datuk Li Chin-shih revealed that the MCYL economic bureau will draft and submit an economic report to the minister of trade and industry for his consideration.

He said that the MCYL will also meet Minister of Trade and Industry Dr Mahathir in the near future to discuss the development of industry and commerce and other economic problems.

He said: In the next few months, the MCYL will also hold dialogs with the Youth Movement Organization, the Kuanghsi Youth League, and the Chiaying Youth League on the problems the Chinese community faces today.

The MCYL will also suggest to Minister of Education Datuk Musa Hitam an equitable plan for granting government-provided scholarships to outstanding students of all races who want to pursue advanced studies in institutions of higher learning at home and abroad.

Datuk Li Chin-shih, head of the MCYL national organization, disclosed this to SIN CHEW JIT POH shortly after attending a session of the MCYL Central Committee on 7 June.

He said: The main subjects of discussion at that session were problems concerning the education of students of Chinese origin and the development of Chinese schools.

These problems will be brought up for discussion during a meeting scheduled for 17 June between a MCYL delegation and the minister of education.

Datuk Li Chin-shih said that when meeting the minister of education, he will call the minister's attention to the fact that scholarships granted to Malay students by the government have far exceeded those granted to non-Malay students.

He said that according to statistics furnished the Parliament by the Ministry of Education, the federal government in 1979, granted a total of 8,958 scholarships to students; of this number, 6,677 or 96 percent went to Malay students and 275 or 3.1 percent went to non-Malay students.

He stressed that this allocation of scholarships by the government is unfair to non-Malay students. He added that among students of Chinese origin are many outstanding college-bound students who cannot continue their education because of their family economic problems.

"By depriving outstanding students of their educational opportunities in this way, our country will become poorer in terms of human resources," he said.

He added that he will also remind the minister of education that students of Chinese origin in college cannot select courses as they wish.

Datuk Li Chin-shih said that in addition to the aforementioned problem, he will brief the minister of education on the problems that many Chinese middle and primary schools in Malaysia now face.

He said that the MCYL delegation will suggest to the Ministry of Education that all middle schools in Malaysia provide Chinese-language courses for the benefit of students of Chinese origin, and that more primary schools be built in residential areas to accommodate additional pupils of Chinese origin.

He said that the MCYL delegation will urge the government to step up the training of Chinese-language teachers now urgently needed by primary Chinese schools and to use Chinese as a common speaking language in such training classes.

Datuk Li Chin-shih revealed that a dialogue between a MCYL delegation and Prime Minister Datuk Hussein Onn on the problems facing the Chinese community took place on 19 May. On that occasion, the delegation handed the Prime Minister a memorandum.

He said that 2 days ago, the Prime Minister instructed the minister of education to meet with the MCYL delegation as soon as possible.

Further Criticism

Belagor SIN CHEW JIT POH MALAYSIA in Chinese 8 Jun 80 p 12

Chou Fu-tai (0719 4395 3141), the MCYL's general secretary, pointed out that most of the resolutions adopted by the Third Malay Economic Conference are too selfish and unrealistic and are bound to have a detrimental effect on the society of Malays, adding that they have also caused otherwise unnecessary concern and resentment among the people of other ethnic groups.

He delivered a speech before a political forum sponsored by a local MCYL branch and its women's organization on the evening of 6 June. The speech is entitled "The future role to be played by the Malaysian youths of Chinese origin."

Mr Chou also urged UMNO leaders and Malays to review the ways their new economic policy is being implemented.

He said: All young comrades of the MCA, both male and female, are required to educate themselves in the organization, historical background, systems and structure of their multinational country. This point deserves special attention from those who are looking forward to having a political career in this multinational country, in which the economy is not evenly developed, and from those whose speeches and actions may directly or indirectly affect the mood of other ethnic groups and may touch off a debate.

Commenting on the Third Malay Economic Conference held 2 days ago, he said: The conference was divided into 11 panels to discuss the following subjects: 1) banking and investment; 2) employment, manpower, and training; 3) mining; 4) service trades; 5) communications and transportation; 6) petroleum industry; 7) forestry; 8) industry and commerce; 9) contractual business and building industry; 10) agriculture and fisheries; 11) land and real estate. The conference adopted a total of 216 resolutions, some of which are still being kept secret and withheld from the public.

one of the resolutions calls for putting 91 percent instead of the original 30 percent of economic development in the hands of Malays under the new economic policy—a resolution very popular with Malays but acutely sensitive to people of Chinese origin. Although Deputy Prime Minister Dr Mahathir and the general secretary of the National Front considered it unrealistic, the Prime Minister took a different attitude toward it. He said that this resolution was adopted because Malays are skeptical of the National Front government's ability to carry out the new economic policy, and because non-Malays have been too greedy for more economic pie.

Generally speaking, we share the same concern with Malays and agree with the prime minister's view. Nevertheless, the prime minister should also take into account the views and concern of non-Malays. For example, during the past decade the growth rate for control of the economy by Malays has reached only 10.5 percent. Can they really increase this growth rate to 30 percent by 1990? If they can, they should feel satisfied with the prospect of bringing 30 percent of the national wealth under their control in a short period of 20 years, while it has taken non-Malays nearly 2 centuries to place 40 percent of the national wealth in their hands. Now let me ask the following question: On the basis of the aforementioned fact, who are really the more greedy? Non-Malays or Malays?

Clearly, most of the resolutions adopted by the Third Malay Economic Conference are unrealistic and very selfish. They will not only have a detrimental effect on Malay society but will also cause otherwise needless concern and resentment among other ethnic groups. It can be said with certainty that if such resolutions are adopted, they are bound to create a strong racial animosity and polarization between Malay and non-Malay societies. Can we call this a new economic policy a principle our country stands for and an objective and ideal that the National Front government strives to realize?

As a matter of fact, the time has come for UMNO leaders and Malays to review the ways their new economic policy is being implemented. Special investigations should be conducted into whether government officials have carried out to the letter the original plan to raise the standard of living for Malays, and whether Malays themselves have actively taken advantage of opportunities offered by the government to improve their economic lot. In other words, all Malays should review the many manmade factors—including their cultural values, philosophy of life, attitude toward the world, religious beliefs, and ethnic qualities—rather than blame their own faults on the government, on non-Malays, or on foreigners.

Young comrades of the MCA, we all have a responsibility to pay attention to the progress our party has made and the problems it now faces. We also have an obligation to expose all the social ills around us, official misconduct, the common enemy and saboteurs of our national cause and state policies. In short, our young comrades should strive to build our multinational Malaysia into a society of peace, prosperity, justice, and freedom. This is the sacred and great mission that awaits us in the decade to come.

NORTH KOREA OFFERS TECHNICAL AID FOR HYDRO PROJECTS

Kuala Lumpur NEW STRAITS TIMES in English 2 Jul 80 p 28

[Text]

KUALA LUMPUR.
Wed. — North Korea today offered to provide technological assistance and technical expertise for mini hydro-electricity projects in Malaysia.

The offer was made by North Korean Deputy Foreign Economic Affairs Minister Jon Il Chun when he called on Deputy Energy, Telecommunications and Posts Minister Datuk Mohamed Najib bin Tun Abdul Razak at his office here.

Datuk Najib said that he would convey the offer to the authorities concerned.

He said the offer was a follow-up to the visit of Deputy Prime Minister Datuk Seri Dr Mahathir Mohamad to North Korea last year during which he showed great interest in the mini hydro-electric projects there.

Datuk Najib said that such projects were being constructed throughout the country and five would be ready by the end of this year.

INCREASING DEMAND FOR LPG FOR HOME USE

Kuala Lumpur BUSINESS TIMES in English 12 Jul 80 p 1

[Text]

LIQUEFIED petroleum gas (LPG), an important source of energy for an increasing number of Malaysian households, is in danger of joining kerosene and diesel as products whose supplies are beset with instability.

The rise in the standard of living and the need to use a clean energy source in modern homes have resulted in the rapid increase in the demand for LPG. Between 1973 and last year, the demand for LPG grew at an average annual rate of 10.8 per cent.

While LPG is becoming a must for almost all modern urban homes, the growing shortage of firewood and the uncertainty in the supply of kerosene have forced an increasing number of rural households to resort to the product.

As LPG is a growth market (forecast at between six per cent annually between 1979 and 1985), it is too easy for a slight abnormality in market mechanism to escalate into a serious problem. Added to this is the question of safety which is paramount in the distribution and utilisation of the gas.

According to one estimate, LPG marketing

companies in Malaysia — Shell, Esso, BP, Mobil and Summit — sold LPG equivalent to 1,283,000 barrels of oil last year.

Several factors are known to have caused recurring shortage of LPG in the market. They include the shortage of cylinders, illegal filling and the changing "diet" or the types of crude oil used by the refineries.

According to market sources, at least 3.5 cylinders will theoretically be tied up to every LPG consuming household. One cylinder will be in the consumer's house, the other with the agent and 1.5 cylinders in transit or at filling stations.

It is not uncommon for the majority of the LPG consuming households to keep a spare cylinder raising the total to 4.5 cylinders. As safety is important in LPG distribution and utilisation, cylinders are often intercepted for inspection.

If they are found to be defective, they will be replaced. This process will have some effect on the movement of the product. The situation is sometimes made worse by traders engaging in illegal refilling.

These illegal opera-

tors, often working in dangerous environment, will siphon off part of the cylinders in circulation. Customers buying gas originating from these operators will most of the time be getting less, as a tank can never be filled to the brim unless in a controlled condition.

Unless it is cooled at the right temperature, the gas will turn from the liquid form to gas form and some may escape. A spark will set it ablaze. Heat will also cause part of the liquid to turn into gas thereby building pressure in the cylinder and this will hinder complete filling.

Following a series of cylinder explosions in some cases resulting in fire and death, the Ministry of Trade and Industry began acting against the illegal operators. Their scramble out of the market reduced gas tank explosions and for a short while deprived areas they operated in of gas.

The change in the crude diet, a term used by the oil industry to describe the types of crude oil they refine will also affect LPG production. Kuwaiti crude is said to produce more LPG than other crude types.

Shell, which is currently reporting LPG shortage, is said to have been unable to secure sufficient quantity of crude from Kuwait. After talks with the Ministry of Trade and Industry, the company is expected to import some LPG from its affiliate in Singapore.

Summit Petroleum Malaysia Sdn. Bhd. was almost edged out of the market early in the year due to its inability to secure LPG supplies at a competitive price from oil refiners. It was saved by Petronas which began supplying it with the product from April 10.

LPG, according to industry sources, accounts for 2.5 per cent of the inland oil trade compared with 32 per cent for diesel, 18 per cent for premium and regular petrol and five per cent for kerosene.

Peninsular Malaysia absorbs some 89 per cent of the LPG, Sabah six per cent and Sarawak five per cent. The sources added that the industry will be able to cope with the growing demand bearing in mind that Petronas will be establishing two refineries in the near future.

MAHATHIR ON MAL BUSINESS EQUITY, RELIGIOUS EXTREMISM

Kuala Lumpur BUS *ESS TIMES* in English 22 Jul 80 p 6

[Interview with A. Kadir Jasin]

[Text]

THE third Bumiputra economic congress at the end of May and the 31st Umno general assembly early this month made a number of major remarks about the New Economic Policy. They include the question of targeting Bumiputra participation in the corporate sector at a substantially higher level.

The Umno general assembly later endorsed the 200 odd resolutions made by the congress. At the party meeting, the problem of religious extremism dominated the debate.

Party members called for extra efforts to achieve both the targets of the NEP and the Third Malaysia Plan. At the same meeting, the problem of rising religious extremism was thoroughly debated.

The Deputy Prime Minister, Datuk Seri Dr Mahathir, in an interview with A. KADIR JASIN of *Business Times* clarified the government's stand on these and a host of other issues. He said it is no good for anybody to expect the NEP to fade away. "It is here to stay," he said.

He repeated his earlier statement that it is no good wanting a higher target of Bumiputra participation in the corporate sector, when the existing target is not yet met.

QUESTION: The third Bumiputra economic congress adopted more than 200 resolutions. What will the government do about the recommendations made in them?

Dr Mahathir: We have to study each resolution to see if it can be implemented. Although we believe that resolutions were drawn up after careful consideration, there are certain things that we can do at the government level to improve on the resolutions. We also have to consider the fact that some of the resolutions may come in the way of development.

Q: Who will study these resolutions?

A: Normally what we do is to channel them to the various ministries, departments and agencies concerned.

Q: You have expressed reservation over some of these resolutions. But do you think that they are fair and reasonable in general?

A: There are only a few resolutions which go beyond the limits the government considers feasible and advisable. Other are quite reasonable.

Q: Which resolutions have gone beyond the limits the government has in view?

A: When they talked about revising the New Economic Policy to raise the target of Bumiputra participation beyond 50 per cent. That will not be so easy to implement. Even to get to the 30 per cent target would require an investment of up to \$24 billion.

An additional 21 per cent would require not only a stupendous additional sum of money, but the actual process of acquiring the necessary shares in the corporate sector would be extremely difficult, especially in the context of growth.

Q: There seems to be some confusion as to the real status of the proposal that Bumiputra stake of the corporate sector should be raised to 51 per cent.

A: A figure like that catches on very quickly and in no time the people will want to accept it as a target.

Q: The congress in some instances doubted the ability of the government to achieve the target of 30 per cent Bumiputra ownership of corporate assets set in the NEP. What is your

own assessment of the NEP so far?

A: The government is fairly sure of achieving the target in terms of acquisitions of assets by trusts set up for the purpose. But this alone will not take us anywhere. We need individual Bumiputras to take up shares. At present for every one share taken up by individual Bumiputras, the government has to take up seven.

For the target to be more meaningful, a greater proportion of the shares has to be taken up by individual Bumiputras. This part is beyond our control and we may not be able to achieve the target.

Q: Do you foresee a change in the policy?

A: We are constantly devising new ways of achieving the target and we have formed various corporations to hasten progress. More recently, we established the Bumiputra Investment Foundation. There may be other ways but merely telling us that we are not achieving the target is not very helpful.

Q: So there will be no shift in the government's policy and the NEP target will stand?

A: Yes, we will abide by the NEP and its targets, and as I have said before, it is no good expecting the NEP to fade away. It is here to stay.

Q: The 31st Umno general assembly recently endorsed the resolutions of the congress. Do you agree that this gives considerable weight to these resolutions?

A: Let us look at it from the other angle. Supposing that the Umno general assembly did not endorse the resolutions, it would be extremely difficult to do anything. But now that they have been endorsed, whatever obstacles stand in the way have been removed.

Q: Datuk Hussein Onn announced at the assembly that shares of trustee companies will be sold to Bumiputras from next year. How will this be done?

A: This will be done through the Permodalan Nasional Berhad's unit trust operation. The shares will be transferred to the PNB which will in turn put them in portfolio for its unit trust company (Amanah Saham Nasional).

Q: Which are the shares that are likely to be transferred to the PNB?

A: Shares of profitable companies like Bank Bumiputra, the shares of Malayan Banking held by the government and Kontena Nasional. Quite a number of these companies are doing well.

Q: What will be the value of shares that will eventually be transferred to the PNB?

A: We have just formed a committee headed by Tengku Razaleigh Hamzah (the Finance Minister) with Datuk Musa Hitam (Education Minister) and Datuk Manan Othman (Public Enterprises Minister) as members. This committee is looking into the procedures for the transfer, and for identifying the institutions whose shares can be transferred to the PNB.

The questions that have to be answered will include the price at which these shares will be transferred to the PNB. Are they to be transferred at par value or at a premium, or taking such considerations as net asset backing into account?

Q: When will PNB start selling units to Bumiputras through its unit trust company?

A: All I can say now is that September is about the earliest that PNB will be able to launch the unit trust. But I am sure it will get off the ground before the year ends.

Q: Is it true that the unit trust company will use a system similar to bank passbooks to enable as many Bumiputras as possible to buy the units?

A: Certainly, it will use a system which is somewhat similar to the savings bank system so as to simplify the procedures as far as possible and to have the maximum feasible outlets. By doing this, even a man in the village will understand the concept and invest his money.

If he wants cash, he can conveniently sell his units. The important thing is for the investment to remain liquid, far more liquid than shares.

Q: I also understand that the unit trust investment is guaranteed?

A: It is guaranteed by the unit trust company. The managers can afford to do this because their investments are in very sound companies. The managers are thinking of guaranteeing a return of at least 10 per cent per annum.

Q: Will the unit trust company be offering other incentives like bonus?

A: We are going to do everything we can to make the unit trust as attractive as possible, including making bonus issues to unit holders.

Q: The Prime Minister, in his address to the assembly, said that pub-

lic agencies are being consolidated to avoid duplication. Can you elaborate?

A: We have been monitoring the affairs of public corporations and statutory bodies for two years now. One of the aims of the exercise is to ensure that these agencies function according to prescribed policies.

But there are instances in which some of the many agencies have interpreted their scope of operation beyond their terms of reference. We have to ensure that they do not duplicate each other.

Q: How many of these agencies are there today and what is the government's total investment?

A: There are about 600 at the federal level alone and investments in these agencies amounted to several billions but less than \$10 billion.

Q: Based on the experience of the past two years, do you think that the government will recommend the closure of some of these agencies?

A: What we are trying to do is to develop a feedback system that will enable us to know at an early stage of poor performance by any of these agencies so that we can take corrective measures. Already we have made some progress. A good example is the Jengka integrated timber project which is doing well after restructuring.

Q: With only a few months to go before the Third Malaysia Plan comes to a close, can you say how many per cent of the projects have been implemented and what will happen to those that fail to get off the ground?

A: It depends on ministries. Roughly about 75 to 80 per cent of the TMP projects have been implemented. Those which fail to get off the ground should be carried forward into the Fourth Malaysia Plan. They are good projects which for some reasons have not been implemented.

Q: The government is currently spending a vast sum of money on subsidies. To what extent can the government continue to subsidise?

A: We are now spending close to \$2 billion on direct and indirect subsidies. To what limit the government can subsidise depends on the revenue situation. Fortunately for us, we have oil which is the very item causing worldwide inflation.

Q: You made a long speech at the opening of Umno Youth assembly on religion. What prompted you to touch on the subject?

A: What I was trying to say is that material progress is part of religion. Islam as a way of life embraces all aspects of human needs. There is a tendency among some of the so-called dakwah groups to interpret Islam as merely a preparation for the next world.

Q: Do you think that these groups are large enough to produce widespread negative effects on the progress of the society, especially of the Malays?

A: Firstly everything has a beginning and if you do not take care of it early, there is no way of reversing it.

So, even if the number of those misled is small, we have to pay attention. But the number is not really small and it affects the very people on whom the future of the Malays depends. These are the young people who have been selected to receive the education necessary to lead the country in future. If they are misled, the future of the Muslims in this country would be jeopardised.

Q: Are you and other leaders not over-reacting to the presence of these groups and worrying unnecessarily?

A: This country performs better than most other developing countries because its leaders worry about its future. It is just too easy for groups such as these to fall prey to the more organised, subversive elements.

SUBSIDIES HELP BOLSTER PADDY PRODUCTION

Kuala Lumpur BUSINESS TIMES in English 28 Jul 80 p 6

[Article by Vong Nyam Ming]

[Text]

COMPARED to the subsidies for oil products which will amount to \$639 million this year, paddy subsidies have so far never exceeded \$400 million a year. And they are a good bargain considering the socio-political-economic objectives they are intended to serve.

Discounting the drought which lowered paddy yields in 1978, there has been a general long-run increase in paddy production. This increase is due to the government's goal of 100 per cent self-sufficiency in rice which was drafted following the recent world food crisis in 1972-73.

But Malaysia is still a net importer of rice despite the impetus given to output by subsidies. These permit supply of water and drainage, fertilisers, pesticides, technology for new high-yielding paddy varieties to farmers at prices well below those on the market.

It is to be noted that there is a degree of discrimination in the disbursement of subsidies, as in the case of bank credit to which only members of farmers' association have access. As far as it is known, the Agricultural Bank (the government-owned Bank Pertanian) is the only financial institution to give credit for paddy cultivation.

BP gives loans only to members of farmers' associations. The manager of the bank, Enchik Abdul Rahman Haji Ramli, makes a very generous assessment of access to paddy credit when he says that 30 per cent of paddy farmers are benefiting from bank loans.

An academic from the economics faculty of the Universiti Kebangsaan Malaysia has estimated that the agricultural credit extended by BP at the subsidised rate of 8.5 per cent is available to only one-fourth of farmers in selected areas, and the rate of utilisation is about 50 per cent. That means only 12.5 per cent of farmers in selected areas (that is, areas which have farmers' associations and BPM branches) have been able to utilise loan facilities.

Drainage and irrigation schemes to increase acreage under double cropping and reduce dependence on rainfall form another element in the scheme of subsidies.

These Drainage and Irrigation Department (DID) projects are channels for subsidies in that the government has no intention to recoup the full costs from the beneficiaries of such schemes. Even the operating and maintaining costs are not fully met by the farmers.

Within the Muda Irrigation complex, the water rate paid by farmers was \$15 per year in 1977 whereas the actual cost of operation and maintenance was calculated by the DID to be \$33 per acre. In 1977 alone, DID subsidies amounted to \$50 million.

Price support is another form of subsidy. The National Paddy and Rice Board, a statutory body authorised to implement price support policies, sets guaranteed minimum prices for the farmers' output to ensure a reasonable return to them. The support price is independent of prevailing international prices. In the current market, the difference between the two is the order of \$250 per tonne to \$100 a tonne for grade A1 and A2. At the rate of 102,943 tonnes imported last year, price support would have cost the Lembaga Padi dan Negara (LPN) \$18 million approximately (based on a mean price of the two grades of rice).

The price paid by the consumer — whether domestic or imported rice — ranges from 60.6 cents a kati to 88.6 cents a kati for grades A1 and A2 rice.

The price support policy implemented by LPN requires grants and loans from the government to maintain the guaranteed

support price, and to finance the construction of granaries, drying and milling complexes because the costs of these services are again not fully recovered.

In addition to this, LPN has been empowered to regulate the import of rice by private traders. In effect, the LPN has been given complete monopoly over the import of rice in order to protect guaranteed minimum prices.

Total gains or losses to farmers as a result of price support policies can be calculated from the differences between domestic and international prices multiplied by the total domestic production.

The cost of paddy production being generally cheaper in the major rice exporting countries like China, India, the Philippines and Thailand, the price support policy usually means that domestic consumers pay a higher price for their rice than if unrestricted trade was permitted.

During the period 1972-73 when the world price of paddy was higher than the domestic price, the government had to subsidise the sale of imported rice also but the beneficiaries at that time were foreign growers.

The gain to farmers from subsidies (and the corresponding cost to consumers) in 1976 and 1977 was in the region of \$360 million annually. The corresponding increase in farmers' income was much greater than what LPN spent on price support during those two years, \$60 million and \$123 million respectively.

With the revised coupon subsidy scheme announced a few months ago, the government will spend an additional \$63 million on price support.

Another form of subsidy is exemption from various taxes (import duties, surtaxes and sales taxes). These are either partially or totally waived on inputs used by agricultural producers. This includes tractors for agricultural purposes, power tillers, combine harvesters and nitrogenous fertilisers.

Of relatively minor importance is the aid in kind and cash distributed to padi farmers through the activities of public sector agencies involved in land rehabilitation and the various aspects of production.

The cost of subsidies given to farmers in the form of fertilisers and pesticides are rising due to the increases in the price of the petroleum feedstock from which they are manufactured. Urea fertilisers, completely dependant on petroleum feedstock, is the main nutrient used by padi farmers and the cost of this material has risen considerably.

Before the petroleum price spiral, fertiliser subsidies were given sporadically. Farmers received this input subsidy

in 1974 and 1975 and it cost the government \$25 and \$4 million respectively. Since 100 per cent self sufficiency in rice depends heavily on double cropping which in turn requires extensive use of urea to obtain satisfactory yields, its use is sought to be promoted through subsidies.

Last year, fertilisers and pesticides worth \$70 million were distributed free of charge to padi farmers. With growing use of high yielding varieties (HYVs) of padi, there has been a proportional rise in the use of nutrients. If production is to be boosted, it is quite likely that these input subsidies will have to be maintained at least at the current rate of \$60 an acre, if not more.

The multi-million cost of achieving self-sufficiency can be questioned on the grounds of comparative advantage (which implies that Malaysia should cheerfully depend on padi imports from major exporting countries which produce the cereal at lower cost).

But this dependence may be dangerous in the light of the world food situation. Current world foodstocks of less than three months are below the minimum UN specified requirement. This disparity has existed for the past few years.

The Food and Agriculture Organisation (FAO) keeps warning of the narrow margin between demand and output in Asian developing countries, and of the danger of disastrous shortages should harvest failures occur in the major food producing countries as they did in 1974 and 1975.

Self sufficiency can also be justified on the grounds that Malaysia's rice policy has been devised with the parallel objective of alleviating rural poverty (the incidence of poverty being particularly high among padi farmers).

In other words, the greater the output, the larger the income that accrues to the padi farmer, helping to raise his standard of living. Prime Minister Datuk Hussein Onn recently announced that poverty in the agricultural sector

dropped from 68 per cent in 1970 to 49 per cent in 1978, a happy outcome attributed in part to rising padi output because of the impetus given by subsidies.

Self sufficiency through still higher output is a goal which is within reach. This is clear from the five per cent trend rate of growth while domestic demand is rising at the rate of 4.3 per cent.

The danger in spurring output through subsidies is that they are habit forming. Since farmers are a politically powerful segment of the population, the removal of subsidies would be difficult if it becomes necessary to do so when production gets to be more efficient. The other danger lies in the tardiness of the government machinery implementing the various subsidy schemes. The confusion that recently prevailed about the coupon scheme is a pointer.

SABAH CHOOSES SPONGE IRON PLANT OVER ALUMINUM SMELTER

Kuala Lumpur BUSINESS TIMES in English 5 Jul 80 p 1

[Text]

THE Sabah state government, in its move to promote heavy industry in the state, has opted for the sponge iron project instead of the aluminium smelter as it was more beneficial to the state in many ways, said Datuk Harris Salleh.

The Chief Minister told *Business Times* yesterday that the \$325 million sponge iron project would provide returns to the state in a much shorter period.

Elaborating on the benefits to the state, Datuk Harris said that it uses less energy — only one third of the total energy guaranteed by Petronas and Sabah Shell —. Moreover, the gas could be used directly and there would be less pollution.

Datuk Harris explained that the aluminium and sponge iron

projects were studied simultaneously by the state. The advantages and disadvantages of both the projects were studied very carefully before taking a decision in favour of sponge iron, Datuk Harris said.

A memorandum of understanding was signed recently between the Sabah state government and Daewoo of South Korea for the setting up of the project on Labuan Island.

The project which will be totally export-oriented will produce 600,000 tons of sponge iron a year, of which 50 per cent would be exported to South Korea.

The plant is expected to be in full operation by 1983 and it will provide employment to some 200 technical personnel and more than 150 unskilled workers.

SABAH ECONOMY EXPERIENCING RAPID GROWTH RATE

Kuala Belait BORNEO BULLETIN in English 12 Jul 80 p 7

[Text]

KOTA KINABALU.—

Last month's decision to press ahead with the construction of a \$325 million sponge iron mill on Labuan was understandably hailed as a major industrial breakthrough for Sabah.

Yet while significant in itself, the project is perhaps even more notable as a symbol of the sort of rapid growth which has taken place in the state in the last five years.

Not everyone has enjoyed the benefits from this, of course, a point the Chief Minister, Datuk Harris Salleh, recently acknowledged when he admitted that half the population still live in "abject poverty."

But despite this, there can be no doubt the state's economic balance sheet makes encouraging reading.

The most notable aspects of this were recently outlined by the Chief Minister when opening the conference of the Associated Chinese Chambers of Commerce and Industry of Malaysia.

Perhaps his most impressive revelation was the fact Sabah had \$1.035m in reserve at the

end of last year, a dramatic increase when compared with the \$6.1m of four years ago.

And by the end of May this year reserves had increased even further standing at \$1.214m.

To a large extent this has been the result of the state's improved export performance.

Last year export earnings exceeded expenditure on imports by a massive \$2.097m, more than double the trade surplus of just three years earlier.

This favourable trading balance is reflected in the state's strong 9 percent growth rate — and that's in real terms, after inflation has been taken into account.

Unlike many places in the world this has been extremely low with last year's inflation rate of 3.4 percent being even less than the 3.6 percent recorded in Peninsular Malaysia.

The only unpleasant aspect about these impressive figures is the fact they are higher than those of three years ago. Then the Sabah inflation rate was a mere 2.1 percent (compared with Peninsular Malaysia's 2.5 percent.)

Yet if inflation was lower before Berjaya took over in Sabah, the previous government's revenue situation was less impressive.

As the Chief Minister was quick to point out in his speech, the former government collected only \$226m in revenue in 1975; by 1979 the figure had jumped to \$1.035m.

This boom in Sabah's wealth is also reflected in the amount of money flooding into the vaults of local banks.

Three years ago deposits in all commercial banks totalled \$742m. Last year the figure was \$2,170m, an almost 200 percent increase.

Given this it is hardly surprising Datuk Harris was able to conclude his speech on the most optimistic of notes.

Sabah, he said, wants to see no less than \$8,770m spent on state development projects in the Fourth Malaysia Plan.

With the plan set to get underway next year, and with Sabah's Treasury full to overflowing, there can be little doubt this sort of big money optimism is justified.

KING'S SUPPORT BY RURAL MASSES MAY BE TEMPORARY

Kuala Lumpur BUSINESS TIMES in English 14 Jul 80 p 6

[Article by Sumanta Banerjee in New Delhi]

[Text]

THE strategically located Himalayan kingdom of Nepal is poised for a change. And the 14 million Nepalese are now asking: Will there be a national legislature by direct adult suffrage? Will there be a Free Press? Will there be full freedom to hold meetings and parades?

In a nation-wide referendum held last May, the people opted for the retention of the present partyless panchayat system of government. This virtually amounts to a vote of confidence in the leadership of the young Eton-Harvard-Tokyo-educated King Birendra. It was his father, the late King Mahendra, who imposed the panchayat system 20 years ago, eliminating the role of all political parties in the administration of the country.

The other alternative which the Nepalese rejected was that of a democratic multi-party system modelled on Westminster lines. The chief proponents were the veteran Nepali Congress leader B.P. Koirala, the pro-Beijing and the pro-Moscow communist parties, and a few other opposition groups.

The opposition was hopeful of a victory because of increasing signs of discontent with the monarchy. This reached

a climax last year with mass protests and which goaded the King to announce a referendum. But the opposition apparently underrated the popular loyalty to the monarch.

King Birendra, taking lessons from the experience of the Shah of Iran, felt that before the people grew more disenchanted with the monarchy it was necessary to announce some concessions, to retain his hold on them.

In the wake of these protests, he announced the holding of a referendum and a few more promises including the election of a national legislature by direct adult suffrage, election of the Prime Minister by the House, full freedom of the Press and of expression — democratic rights which had been absent in Nepal during the last two decades.

It was obviously these last two promises that tilted the balance in his favour at the recent referendum. Of those who voted in the referendum, 54.8 per cent opted for the present panchayat system. While the communists immediately described the poll as rigged, B.P. Koirala struck a more cautious note when he said: "I cannot explain it and I cannot say that it has been rigged."

Meanwhile, King Birendra has set up a Constitution Reforms Commission to draft a new constitution. This would pave the way for implementing the promises that he had made on the eve of the referendum. But it is yet to be seen how the king plans to hold the proposed general elections.

The present constitution makes the party-less panchayat system "without an alternative." If this provision is retained in the new constitution (it cannot sanction the revival of political parties now that the majority of the people had voted for a party-less system), who will run in the proposed election?

The candidates will not be able to stand as representatives of their respective political parties, but will have to seek votes as independents. This may act as a constraint on the campaigning by the opposition. The opposition is demanding an amendment of the constitution allowing the revival of political parties.

Despite their defeat, the multi-party supporters are not an insignificant force. After all, they garnered about 46 per cent of the votes. B.P. Koirala said: "This

support assumes unusual importance because people had cast these votes in adverse circumstances as the workers and students were subjected to all sorts of hardships. They had to suffer physical assaults, some

even losing their lives. They are the people on whom the foundation of our future is laid."

Mr Koirala's words throw light on the nature of the support that the two contending forces enjoy. While the urban workers and students favour a multi-party system, the rural people — who form 80 per cent of the kingdom's population — are still loyal to the monarchy.

But it is yet to be seen how long the king can retain the support of the rural masses. Rising prices, unemployment and a stagnant economy are plaguing the country.

Besides, the king is following a "carrot and stick" policy, which may not be effective for long. While holding the olive branch of reforms, he has already started an offensive against dissenters. A rash of strikes has broken out in the Balaju industrial area, followed by large-scale arrests of political workers by the police. Armed policemen are patrolling the valley.

Moreover, within two weeks of the announcement of the referendum results, the king came out

with an ordinance on freedom of speech and publication on the recommendation of the present government. The multi-party leaders have described the ordinance as "draconian" and "retrogressive".

They feel that the king, secure in his position, is now going back on his earlier promises. They suspect that most of the changes that the king proposes to bring about are likely to be conditional. The freedom to hold public meetings and processions could be restricted to certain issues for which prior permission might be necessary.

And all is not well within the camp of the king's supporters either. Some senior "panchas" — representatives of the party-less panchayats — are trying to move a vote of no-confidence against Prime Minister Surya Bahadur Thapa, who had been enjoying till now the king's support. They want to replace him with Matrika Prasad Koirala (also a supporter of the king) who happens to be the half-brother of opposition leader B. P. Koirala.

With these political disputes and the simmering discontent over economic problems, Nepal appears to be in for a stormy period between now and the proposed general elections. — *Dep-thnews Asia*

ILLEGAL INDIANS IN PAKISTAN ASKED TO LEAVE

Karachi JASARAT in Urdu 9 Jul 80 pp 1, 6

[Article by Basim Waras: "Illegal Indian Residents Must Return, Says Home Secretary; Those Returning Voluntarily Will Be Helped, Stragglers To Be Punished In Special Courts; 20,000 Indians Living Illegally Since 1976; 7,200 People in Karachi Affected by the Process"]

[Text] Karachi, 8 July--Mohammed Rafiq, State Secretary of Immigration, said here today that his department will cooperate with the Indians who are willing to return on their own. He warned that all illegal Indian residents must leave. If they do not leave voluntarily, they will be tried before a special court.

In an exclusive interview with JASARAT, the secretary said that initial action is being taken against Indians who entered Pakistan after 1976 and remained here after their visas expired. The number of such people is estimated to be around 20,000. However, there are only 7,200 people against whom there is proof of being illegally here. If these persons fail to return to India immediately, they will be arrested and tried.

The secretary said that cases of persons who entered prior to 1976 will also be looked into. In answer to a question, he said that such persons can be sentenced to one year of rigorous imprisonment and fined up to 1,000 rupees under the Foreign Nationals Act. At the end of the jail-term, they can be expelled from the country. He added that since cases in regular courts take a long time, a special magistrate to deal with such people is being appointed. He said that the state's immigration department will allow people with valid passports but expired visas to leave immediately. People who have lost or destroyed their travel documents are advised to obtain new documents and return to their country. Persons ignoring these orders will be severely punished.

The secretary pointed out the harshness of expulsion. Such people, he said, regardless of their age or sex should be driven to Cachro and pushed physically into the Indian border. They would face more hardships there. When asked about children born in Pakistan, the secretary

said that they will have to return to India with their parents and India is obliged to accept them. He further said that there is no room for leniency in this deal as no law can be implemented with leniency. The secretary said that the purpose of this action is to "find and expel undesirable elements." Referring to persons who have applied for Pakistani citizenship, the secretary said that they will be allowed to stay here until a decision on their application is reached. He said that the following conditions qualify a person for Pakistani citizenship:

1. Girls married to Pakistan citizens,
2. Doctors,
3. Marine Engineers, and
4. Persons bringing over 200,000 rupees in foreign exchange to Pakistan.

Emergency certificates are issued to widows with sons in Pakistan. These emergency certificates are also issued to under-age children of any Pakistani national. In answer to a question, the secretary said that only 1 or 2 percent of the people who want to become Pakistani citizens follow the appropriate method; the rest remain in Pakistan illegally. In answer to another question, the secretary said that officers and policemen who protect these people will be strictly dealt with. A list of 7,200 persons have been prepared and sent to police superintendents in various regions. The police will be responsible for sending these persons back to their country. The secretary said that the government was aware of this problem and that all persons regardless of their social standing will be dealt with according to the law.

Answering another question, the secretary said that steps will be taken to stop people from taking illegal residency in Pakistan. He further said that these steps are not just against Indian nationals, but apply to all foreigners who are staying here illegally. He warned officers and persons who help foreigners that strict penalties will be imposed on them unless they stop. The secretary said that several persons are being investigated in this regard.

JVJ/
CSO: 4203

PAKISTAN

CHINESE, ROMANIAN COTTON TEAMS VISIT SCORED

Karachi DAWN in English 21 Aug 80 p 8

[Text] Two cotton purchase missions, one from People's Republic of China and another from Romania have arrived in Karachi to purchase 1977-80 cotton, crop it is learnt. [as published]

The Cotton Export Corporation (CEC) officials are holding talks with both the delegations to conclude deals which will further consolidate Pakistan's position in the world cotton export market.

China has already purchased over half a million bales of raw cotton of the current crop and has emerged as the biggest buyer followed by Japan, Hong Kong, Bangladesh, Indonesia, Thailand and several other east and west European countries while USA has also purchased Desi cotton from Pakistan.

For the first time in recent years Romania has indicated interest to buy Pakistani cotton and has sent a two-member purchase mission.

Prior to the arrival of these delegations, some international cotton merchants and Japanese cotton importers, which visited Pakistan during last month, had also made contracts to lift considerable quantity of staple cotton of the same crop from CEC.

Moreover, the recent Bangladesh trade mission had already proposed to CEC to meet the entire requirement, of its textile industry through Pakistani cotton.

The Chairman, CEC, Mr Nusrat Hasan, led a export promotion mission in June this year to several South East Asian and Far Eastern countries.

During the recent weeks, the local textile industry has also stepped up its purchases from CEC--APP.

CSO: 4220

SIND SELF-SUFFICIENT IN WHEAT

Karachi DAWN in English 21 Aug 80 p 1

[Text]

HYDERABAD, Aug. 20: The Governor of Sind Lt. Gen. S. M. Abbasi said here today that by the grace of God the Sind province had attained complete self-sufficiency in wheat and not a single grain of wheat would be required from outside as far as Sind province was concerned.

The Governor, who was the chief guest at the Wheat Competition prize distribution ceremony held at Circuit House this afternoon announced amidst thunderous applause that this herculean task was achieved with the tireless efforts, assistance and cooperation of concerned departments of Government and, over and above all, through the sweat of our brave Abadgars and tillers of land.

He congratulated the departments concerned for providing technical know-how to the farmers without which this laudable feat would have been impossible.

He said that reports about cot-

ton crop were very encouraging and expressed the hope that like last year this year too we will surpass the target. He recalled that last year the target was fixed at twelve and a half lakh bales but in fact 14 lakh bales of cotton were produced. The Governor advised the concerned departments to chalk out an elaborate programme for sugarcane cultivation in advance so that desired results could be achieved. He advised the farmers to increase the per acre yield of agricultural produce which was necessary for the overall increased production.

Later, the Governor gave away prizes to the winners of the Grow-more-Wheat drive launched by the Government which had resulted in the harvesting of a bumper crop of wheat in the province. The Governor disclosed that in future also rewards will be distributed among those who show best results in wheat production.

PAKISTAN

BRIEFS

REFUGEES COUNTED--Islamabad, Aug. 16: The number of Afghan nationals who had taken refuge in Pakistan following the Soviet intervention in Afghanistan has risen up to 10.5 lakh so far, PPI learnt here today. According to latest figures available the number of Afghan refugees in North-West Frontier Province has reached 8.5 lakh while in Baluchistan about two lakh Afghan nationals have taken refuge. [Text] [Lahore THE PAKISTAN TIMES in English 17 Aug 80 p 8]

CSG: 4220

SLOWDOWN IN ECONOMIC GROWTH RATE PREDICTED

Kuala Lumpur BUSINESS TIMES in English 19 Jul 80 p 1

[Text]

MANILA, July 18

THE growth in the Philippines Gross National Product (GNP) is predicted to slow down to 3.4 per cent due to the adverse effects of world recession.

The projection which contradicts the government's target of at least a 6 per cent economic growth for 1980 was made by the Centre for Research and Communication, a private economic research institution.

The English language Daily Express said today the centre's economic forecast also sees a GNP growth of below five per cent in the next two years as a result of the current world economic slump and high inflation rates which could last until 1981.

A lowering of the country's inflation rate from

22 to 18 per cent is also projected by the centre, the Express said.

According to the Express, the centre attributed the high inflation rate world-wide to the price increases made by the Organisation of Petroleum Exporting Countries (Opec).

■ The centre also dismissed the possibility of Philippine peso devaluation due to the confidence of foreign lenders in the country's economic performance.

It indicated that in spite of the country's huge external debt of US\$11,000 million and a widening trade deficit, the Philippines could still expect more foreign loans.

The availability of foreign loans, the centre noted, would eliminate the possibility of peso devaluation in the next two years. — AFP

PHILIPPINES

PAYMENTS BALANCE NARROWING REPORTED

Manila PHILIPPINES DAILY EXPRESS in English 26 Aug 80 pp 1, 6

[Article by Samuel V. Senoren]

[Text] The Philippines narrowed its balance of payments (BOP) deficit to only \$223 million from January to July this year as against \$426 million during the same period last year.

Central Bank data showed that the BOP deficit was also scaled down in July to \$22 million from \$31 million in the same month last year.

During the seven-month period, the trade imbalance was also reduced, although on a smaller scale. The CB recorded trade deficit at \$937.8 million against \$941.4 million during the same period in 1979. Export receipts totalled \$2.79 billion as against import payments of \$3.73 billion.

The improvement in the country's overall BOP position was traced to higher prices for some major exports, particularly mineral products.

From January to July this year, foreign exchange earnings of mineral products (primarily gold and copper) jumped by more than 100 percent to \$712.2 million from only \$301.6 million during the same period in 1979. Copper concentrates generated export earnings of \$29.6 million while gold turned in \$129.5 million.

There were other major exports, however, that registered declines in foreign exchange earnings. The coconut sector recorded earnings of only \$407 million compared to \$536 million from January to July in 1979.

The decline was obvious in coconut oil export receipts which dropped from \$383 million to \$265 million. The decline reflected low prices of coconut oil in the world market.

The fruits and vegetables sector also suffered declines. Earnings reached only \$157 million compared to \$168 million last year.

Earnings from non-traditional manufactures, which normally have a promising outlook in the world market, rose only marginally. During the period under review, this sector reported foreign exchange earnings of \$682 million, slightly up from \$519 million last year.

In non-merchandise trade, there was significant increase in tourism revenues during the period. Tourism receipts rose to \$120 million during the seven-month period compared to slightly more than \$100 million last year.

Imports, on the other hand, rose by \$700 million to \$3.7 billion during the seven-month period. The bulk of imports was accounted for by essential producer goods, mostly capital equipment which totalled nearly \$3 billion.

CSO: 4220

INQUIRIES IN TAX MEASURES NOTED

Manila PHILIPPINE DAILY EXPRESS in English 25 Aug 80 p 4

[Editorial: "New Tax Measures: Why the Exemptions?"]

[Text] The two new tax measures that the Batasang Pambansa is set to pass on third and final reading today--Cabinet Bill Nos 36 and 37--are just part of a package of taxation proposals designed to generate additional funds to support the P55 billion government budget for 1981. CB No 36 would impose an average of 15 percent additional tax on cigarets while CB No 37 would double the present taxes on fermented liquor, including beer. These measures, if passed without substantial revisions, would contribute some P1.4 billion to the national coffers.

On top of these, there is another proposed measure, Cabinet Bill No 41, which seeks to impose a final tax on interest of savings and time deposits. Interest amounting to at least P125 per quarter would be taxed 15 percent (savings) and 20 percent (time deposits).

The people have accepted the fact that taxes must be collected, and increased, to support the growing budget for government operation. Many have, in fact, admitted as inevitable the passing on to consumers whatever additional tax burdens the producers and distributors of affected products have, in the form of markups or sales taxes.

While present conditions impel the government to increase taxes, prudence and fairness dictate that tax rates and coverage be rationalized so as not to unduly kill business initiative or further constrict the market. Also, the tax burden must be collectively borne by everybody, prorated perhaps on the taxpayers' capacity to pay, but carried by all in the industry affected. This should make the tax burden lighter for the people.

There is merit, therefore, in questioning why there is a list of multi-million peso cigaret manufacturers which are exempted from CB No 36. More important than the Batasan opposition's demand to make this list public is an explanation as to why the need for such exemptions.

The same holds true in the case of CB No 41. While it is clear that small depositors will have to get lesser interest earnings, big banks, non-bank financial intermediaries and corporations formed to own shares therein are exempted. How can this liberal policy of exempting those more capable of paying taxes flesh out President Marcos' promise of rationalizing the tax system? [as published]

Perhaps our lawmakers owe their constituents--the people--an explanation why there is this seemingly lopsided division of the tax burden in favor, initially, of the big ones.

CSH: 4220

PROFITEERS IGNORE PRICE CEILINGS

Manila PHILIPPINES DAILY EXPRESS in English 23 Aug 80 pp 1, 6

[Article by Rose de La Cruz: "Price Ceilings Ignored: Profiteers Active in Metro Manila"]

[Text] Six out of the nine basic consumer items were found yesterday being sold in public markets and supermarkets above government price ceilings.

In a survey by the EXPRESS, the only commodities which were within price ceilings were rice, which was being sold at P2.60 per kilo, eggs, from 60 to 70 centavos a piece, and cooking oil in cans.

Price differences for the overpriced goods were:

- Pork by 30 centavos to P1 per kilo.
- Chicken by P1 to P3 higher.
- White sugar by 20 to 50 centavos.
- Brown sugar by 15 centavos.
- Milk by 20 to 30 centavos per can.
- School supplies by 30 centavos to P1 higher for different items.

Rice was being sold at P2.60 per kilo in Quinta and Paco markets in Manila; Nepa O-Mart and Farmers' market in Quezon City.

Pork was being sold at P18 to P19 in the four markets. Price ceiling for pork is P17.90

White eggs were being sold at 65 to 70 centavos a piece in the four markets and in Rustan's and Queen's supermarkets.

However, eggs were being sold at 40 to 50 centavos a piece in Manila and Quezon City Radiana centers.

Canned milk in most supermarkets surveyed was being sold at P2.11 for 14 oz. can evaporated milk and P2.68 per can in public markets, and for condensed milk P2.75 for supermarkets and groceries and P2.85 for public

markets and other retail outlets. Kadiwa centers sell these items at P2 for evaporated milk and P2.40 for condensed milk.

Dressed chicken was being sold at P16.80 in Quinta market, P17 in Paco market, P17.50 in Nepa-Q-Mart, P17.50 in Farmers' market, P15.10 to P23.35 in Queen's Supermarket, and P15.50 to P17 in Rustan's Supermarket. Price ceiling for this item is P16.50 per kilo.

Other Items:

Local canned fish (price ceiling--P1.85 for supermarkets and P2 for public markets) was being sold at P2.85 in Queen's Supermarket, P2.75 in Rustan's Supermarket, P3.10 to P3.50 in Farmers' Nepa Q-Mart and Quinta markets.

White sugar (price ceiling--P3.25 for supermarkets and P3.30 for public markets) was being sold at P3 in Queen's and Rustan's supermarkets. In public markets, however, the prices of this item varied from P3.35 to P3.50.

Brown sugar (price ceiling--P2.30 per kilo in the supermarkets), was being sold at P1.84 to P2 per kilo in Rustan's and Queen's supermarkets. However, brown sugar was being sold at P2.35 to P2.55 in public markets instead of P2.35 as set by the government. [as published]

Cooking oil sold in the supermarkets in cans was being sold within the government price ceilings. However, bottled cooking oil was being sold higher by 15 centavos to P1 in public markets.

School supplies being sold in the supermarkets and public markets above government price ceilings were intermediate pads and Grades 1 to 4 pads, by 10 to 50 centavos, ballpens by 5 to 15 centavos and spiral newsprint by 10 to 25 centavos.

EXPORT DRIVE, WEST GERMAN TRADE, OIL STRIKE

Kuala Lumpur BUSINESS TIMES in English 25 Jul 80 p 20

[Text]

MANILA, July 24

ECONOMIC Planning Minister Gerardo Sicat said yesterday the Philippines would halve import duties on some products to push local industries to compete in the export market.

"Since our tariff level is one of the highest in Asia, we must halve the protection so that we can project fairness in our trade links with other countries," the state-owned *Philippines News Agency* quoted him as saying.

On the export potential open to local industries, Mr Sicat said Filipino exporters should be able to penetrate foreign markets without feeling the protection pinch confined to products already saturated by countries like South Korea, Hong Kong and Taiwan.

He said the country's tariff policy should be in consonance with its overall industrialisation and development strategy.

The Philippines has embarked on an ag-

gressive plan of selling more products abroad and expanding its market to generate more foreign exchange earnings.

The Federal Republic of Germany now ranks third among the trade partner of the Philippines, with the country enjoying a surplus in the balance of trade, West German Ambassador Dr Hildegunde Feilner said.

Speaking at the handing over of the equipment for the German language course at the Foreign Service Institute (FSI) here yesterday, he said his country's development aid had increased considerably within the last year.

Dr Feilner takes up his appointment in Manila at a time when bilateral ties have intensified and Asian-EEC cooperation is becoming more important.

FSI is a semi-autonomous organ of the Foreign Affairs Ministry whose aim is to make professionals of Filipino ca-

reerist diplomats. It is now conducting language courses.

The Energy Ministry may have struck oil in another offshore oil well in mid-western Philippines where four oilfields had been confirmed to yield oil in commercial quantities.

Press reports today said the semi-submersible rig, *Ocean Prospector*, which is operated by a group of local and foreign oil exploration firms headed by Cities Service Philippines, encountered oil shows after drilling 8,200 feet at Libro 1 well, about 600 kilometres (250 miles) southwest of Manila.

The new well is located between the two confirmed oilfields of Cadiao and Matinloc and lies opposite the newly found Pandan well. It lies north of Nido complex, the first oilfield found in the country. — UPI, Bernama, Oana, AFP

CEBU SEPT AS FOCAL POINT OF OPPOSITION TO GOVERNMENT

Manila Lumpur BUSINESS TIMES in English 21 Jul 80 p 6

[Article by Jeremy Towe in Cebu]

[Text]

FUELED by the success of an anti-government rally and the brief detention of several opposition figures, long-time critics of martial law rule in the Philippines now talk boldly of uniting their fragmented forces, with central city of Cebu as their focal point.

By contrast, lesser-known individuals with markedly different left-wing views find themselves detained on direct orders from President Ferdinand Marcos before they take to the streets.

Recently, 22 young people were quietly detained in Cebu to face charges of subversion, while in Manila, 32 people, including students, workers and professionals, have been picked up in a new drive against similar suspects.

During a recent visit to Cebu, Defence Minister Juan Ponce Enrile said the arrest of several student leaders in Manila just before Independence

Day on June 12 was preventive.

Mr Enrile was in the Philippines' second city to attend the local administration's Independence Day celebrations, but it was an opposition rally which aroused more attention.

The claims and counter-claims about how many people turned out for each rally are still the subject of debate, but the fact remains that opposition Assemblyman Salvador Laurel was able to make a fiery public speech on what he sees as the wrongs of martial law.

He and the other opposition figures present played a taped message from ex-Senator Raul Manglapus, now leader of the anti-Marcos opposition in the United States. Judging from their own accounts, they pulled no punches in condemning the martial law rule which persists after almost eight years.

Mayor Florentino Solon said the crowd was asked whether it was ready to "shed its blood" and that speakers were "inciting the people to go into an uprising if the President would not lift martial law."

Both rallies ended peacefully, but when the opposition, led by local Assemblyman Valentin Legaspi, petitioned for a second rally on July 4, Philippine-American Friendship Day, the Mayor turned them down.

"They were creating disorder, disturbing peace of mind not only physical peace," he argued. "My responsibility is to protect public safety, promote order."

The Mayor rejected opposition charges that he was acting on orders from Manila but whatever the reason, the military moved to prevent a planned march.

Mr Legaspi, and fellow Assemblyman

Bartolome Cabangbang were sprayed with red-dyed water, and arrested along with about 28 others. They were released the same evening but later charged with illegal assembly.

Mr Legaspi, like many of the traditional oppositionists a lawyer, filed counter charges, and the matter now rests with the legal system.

But the incident, which received full coverage in a new opposition daily newspaper, the *Visayan Herald*, as well as unusual play in the generally pro-government national Press, made the participants stand out compared to most of their colleagues.

The leading lights of the protests were members of the National Union for Liberation (NUL), which despite its revolutionary-sounding name, is a grouping of established politicians whose more usual activity is issuing lengthy

statements.

These and other opposition distribes are, by their own admission, long on criticism and short on alternative policies.

Now, with the novelty of the Cebu incidents behind them, local opposition figures said they are going to hold more rallies — one in mid-August and another on Sept. 31, eighth anniversary of the declaration of martial law.

They are also planning a caucus in Manila in August to thrash out a united national programme.

Whether such a programme will emerge must remain doubtful right up to the point of its publication. The opposition has long been splintered, revolving around individuals whose distaste for the present leader seems in many cases only matched by their longing to step into his shoes.

Several of them have made the trek from Manila to Cebu, where the people are proud of a long history of militancy stretching back to the killing of Ferdinand Magellan by a local chief, Lapu-Lapu, on neighbouring Mactan Island in the 16th Century.

The city also has the advantages over Manila of a more varied Press, a radio station which lets the opposition air their views, a healthy suspicion of everything emanating from the capital, and an independent spirit, which on a totally different level, makes it the only place in the country where blue movies are still openly shown in cinema.

"The cause that we in Cebu are espousing has put aside all petty jealousies," said Mr Antonio Cuenco, one of those arrested on July 4. "We anticipate that Mr Marcos will single us out,

destroy our little businesses — but never mind."

Such fighting talks is scoffed at by others in Cebu who are no less embittered by the present government.

"They say they are against the violation of human rights," said a young radical priest in the city. "But they really put their faith in the President..."

"Some of the people who went with them are very sincere, but over the leaders, there is a very big question mark," he said.

"The only hope will be the poor people themselves," the priest maintains, adding that he feels some of those poor are putting their faith in the communists.

The communist New People's Army (NPA) does operate in the central Visayas, although their cadres do not in-

filtrate cities such as Cebu.

The traditional opposition is determined to stay away from the extreme left: "I want to help democracy to be preserved to counter the communists," said Mr Al Alinsung, editor of the *Visayan Herald*.

One opposition sympathiser summed up: "From all indications, the traditional opposition is now regaining strength, consolidating where before it was fragmented and weak."

Mayor Solon, a prospective Minister of Health, argued that "the political orientation of Cebu has always been negative and destructive," and that it is the government's job to change that.

He, like his political opponents, sees Cebu, "Queen of the South," as just the place to do it. — *Reuter*

INTEGRATED APPROACH TO RURAL DEVELOPMENT IN BICOL

Kuala Lumpur BUSINESS TIMES in English 22 Jul 80 p 6

[Article by Lucino Rebamontan in Naga City]

[Text]

SMALL caravans of carabao-drawn carts loaded with farm produce hug the roadsides, while an endless stream of cargo trucks, cars and passenger buses whizzes by in frenzied pace.

In some areas of the vast Bicol rice-fields traversed by the Pan-Philippine Highway, the centrepiece of the Philippine infrastructure programme, rice is ripening under the sun.

In adjacent areas farmers plow high the fields for this year's third cropping season.

A few years ago, Bicol farmers were chained to a one-cropping-a-year cycle that left thousands of hectares of rice-fields empty and unproductive during the rest of the year.

But irrigation has drastically changed traditional planting patterns, increased productivity by two or even three times, and brought the region closer to productive parity with Central Luzon, the country's premier rice producer.

The livelihood of the more than four million people in the provinces of Albay, Sorsogon, Camarines Sur, Camarines Norte and Masbate, which comprise the Bicol region or Bicolandia, is changing for the better.

And government planners claim that it is only the beginning of a new era. The region, whose nearest point to Manila is more than 300 kilometres, has been declared as a staging area for an innovative integrated approach to countryside development.

The programme calls for simultaneous introduction of all physical infrastructure necessary in a given area, complemented by social and institutional components.

The overall development programme is being implemented by the Bicol River Basin Development Programme (BRBDP), an agency that draws its expertise and personnel from several government ministries and units.

One of the most economically depressed of the country's 12 regions, Bicolanos have an annual household income of only 1,500 pesos (about US\$200).

Lack of employment opportunities has opened the floodgates to massive out-migration at the rate of 9.3 per cent, said to be one of the highest in the country.

The unemployment rate of the area is 12 per cent compared to the national average of 7.5 per cent.

Commerce had been hampered by lack of good roads, and agriculture, the main source of people's income, depends largely on the vagaries of the weather.

Irrigation benefits only 44,000 hectares out of the 100,000 hectares identified as irrigable, while 44,000 hectares are usually inundated and 10,000 hectares are subject to saline intrusion.

In 1967, a joint United Nations Development Programme-National Economic Council study categorised the Bicol region as "a downward transitional area." This means that instead of keeping pace with the development of the rest of the country, it was practically retrogressing.

To reverse the trend, the BRBDP was thus created to hasten the region's development and raise the income of the people to the national level by 1990.

BRBDP's specific goals are to increase agricultural productivity, provide a more equitable distribution of wealth, increase employment opportunities and promote agro-industrial development projects in the area.

The agency's original coverage was limited to only 312,000 hectares, 6 per cent of which is in Camarines Sur, where the Bicol riverbasin is located, and 33 per cent in Albay province.

However, on June 11, 1973, the province of Sorsogon was added to the BRBDP project area, enlarging the programme area to more than one million hectares with a total population of 2.1 million.

The formative stages of the BRBDP were devoted to organisational chores, data-gathering, mapping out development strategies and identifying priorities.

As of 1973, the BRBDP had already concluded topographic mapping for water and land resource planning, land classification of 135,000 hectares.

Also completed was socio-economic research, which involved the collection and analysis of socio-economic data for planning and feasibility studies.

Pilot projects included on-farm water management involving the rehabilitation of four existing irrigation systems, the development of farm-based institutions, training and applied research in water management and a frankel filtration system to test the acceptability of this low cost system in three barrios (villages).

The BRBDP also conducted studies on tidal barriers, flood control, salinity intrusion, water supply and quality as well as integrated agricultural planning, geologic investigation and benchmark study on agri-business, water balance and water management.

Even before the BRBDP became operational, development projects were already being implemented in various parts of the region, ranging from water management, irrigation to road construction.

Among these projects are the Libmanan-Cabusao Integrated area Development (IAD) project which had a total cost of 34.5 million pesos (about US\$7.5 million), the Bicol Secondary and Feeder Road and the Pili-Bula land consolidation project.

The long gestation period of the BRBDP was largely due to funding problems, which even now still bound the programme. In his report to President Marcos, Public Works Minister Alfredo Juinio, Cabinet coordinator of the BRBDP, openly admitted that the timetable for the development of the region had suffered delays due to budgetary constraints.

However, he said that "although most development projects have somehow been affected by the increase in material and fuel cost, there has, on the overall, been only a slight slump in the physical implementation of projects initiated by the BRBDP."

But even these reverses are "more than compensated for by commendable outputs and performance of the agency in planning and coordination which are actually its basic function."

— Depthnews

PHILIPPINES

NEWS

MINDANAO PROJECTS APPROVAL--The First Lady and Human Settlements Minister Imelda R. Marcos approved yesterday the development of the lower Libungan swamps in North Cotabato and Maguindanao to improve the living conditions of Muslim Filipinos in the area. Mrs Marcos gave the go-signal for the project in her capacity as chairman of the presidential committee for the development and rehabilitation of Southern Philippines. Public Works Deputy Minister Aber P. Canlas, who submitted the recommendation to the First Lady, said the project will control floodwaters of the Mindanao river system and reclaim a portion of it to generate lands for settlement and agricultural purposes. Canlas, who was designated by Public Works Minister Alfredo L. Juinio as action officer for the Southern Mindanao Development Committee, said some 8,800 hectares of the area will be developed immediately. He said the project will be divided into stages to hasten completion of the projects and bring relief to the Muslim and Christian residents in the Central Mindanao region. [Text] [Manila PHILIPPINE DAILY EXPRESS in English 24 Aug 80 p 7]

PETROCHEMICAL COMPLEX HAS GOOD PROSPECTS

Production in 1982

Kuala Lumpur BUSINESS TIMES in English 17 Jul 80 p 20

[Text]

THE economics of Singapore's \$2 billion-plus petrochemical complex still looks good despite recent oil price increases, senior project officials said yesterday.

This is because other petrochemical-producing countries will also have to use more expensive oil. But Singapore is assured of supplies from local refineries.

Second, the market for petrochemicals has been growing rapidly since the green light was given to the project last January.

Third, the project will come onstream in mid-1982 without any new competing plants coming onstream at the same time.

The senior officials, including Sumitomo Chemical Company managing director Mr H. Sasaki, Trade and Industry Ministry Permanent Secretary Mr Ngiam Tong Dow and a Petrochemical Corpo-

ration of Singapore director, were present at a Press conference to mark the formation of a new \$120-million downstream company, the Polyoleth Company.

They confirmed that six downstream plants have been finalised under the first phase of the project. Apart from the four earlier known plants, two new ones have been included for the production of acetylene black and 2-Ethyl Hexanol.

The second phase would include more downstream plants to make use of spare ethylene capacity. It could also involve investment in a second \$1 billion naphtha cracker to produce more feedstock for downstream plants.

On the manpower required to build the first phase of the complex, Mr Sasaki declined to comment on reports that over 500 Japanese will be coming to Singapore.

Singapore BUSINESS TIMES in English 19 Jul 82 p 1, 20

[Text]

CONSTRUCTION of the \$32,000 million petrochemical complex was officially initiated here today by the Minister for Finance, Mr Hon Sui Sen.

The ground breaking ceremony on an outlying island, Pulau Ayer Merbau, was witnessed by some 70 senior executives from Japan, the United States and Europe.

The Petrochemical Corporation of Singapore, which is responsible for the upstream part of the project, is a joint venture between the Singapore government and Japanese and international companies.

The upstream projects are expected to come on stream in 1982 with the production of 300,000 tons of ethylene and 160,000 tons of propylene a year.

The downstream projects, which will follow closely the upstream projects, will produce 120,000 tons of polythylene, 100,000 tons of polypropylene and other products.

Some 2,000 workers will be engaged in the construction project in the next two years.

Construction of various projects have been awarded to several companies.

Two major Japanese companies, the giant Hitachi group and the Kobe Steel group have won substantial contracts for the downstream plants.

Later, speaking at a reception to mark the

ground-breaking Mr Hon said the complex would be the largest manufacturing project in Singapore in terms of capital outlay.

He said the project is expected to have significant spin-offs in related sectors of the economy such as plant fabrication, plastics processing and the manufacture of synthetic fibres.

The importance of ensuring feedstock had become more important with the increasing uncertainty in the petroleum situation. The Finance Minister revealed that Shell and Esso had agreed to supply feedstock to the Petrochemical Corporation. — AFP

Ten Years to Break Even

Singapore BUSINESS TIMES in English 19 Jul 82 p 16

[Text]

SINGAPORE's \$2 billion petrochemical plant will take about 10 years to break even, said Mr Norihiko Hasegawa, Chairman of the Sumitomo Chemical Company.

Mr Hasegawa, who was here for the ground-breaking ceremony of the Petrochemical Corporation of Singapore (PCS) at Pulau Ayer Merbau yesterday morning, also reiterated confidence in PCS because of

the assured feedstock supplies from local refineries.

Mr Hon Sui Sen, Minister for Finance, revealed later that two refineries here — Esso and Shell — have agreed in principle to supply feedstock to the PCS. While Esso will supply naphtha by pipes to the plant, Shell will supply naphtha and liquefied petroleum gas (LPG) by tankers.

Total naphtha feedstock required is estimated at one million tonnes or seven million barrels annually.

At the same time, two more downstream companies will be incorporated to produce ethylene oxide and glycol, and acetylene black respectively.

It is understood that five Japanese companies (Sumitomo Chemical, Mitsubishi Petrochemical, Nisao Petrochemical and Japan Catalytic Chemical Industries), Shell International Chemical and the Singapore government will form the downstream company

for ethylene oxide and glycol.

Denki Kagaku Kogyo is expected to participate in the downstream plant for acetylene black.

When the first phase of the Singapore plant is completed in August 1982, the complex will have a start-up capacity of 70 per cent capable of producing 300,000 tons of ethylene per year and the same amount of propylene and other basic petrochemicals.

Mr Hasegawa said about 1,000 technicians will be needed to operate the plant with another 100 to 150 Japanese engineers coming from Sumitomo Chemical.

STATE OF EMERGENCY DECLARED TO HALT STRIKES

Kuala Lumpur BUSINESS TIMES in English 13 Jul 80 p 6

[Text]

COLOMBO, July 17

THE government yesterday declared a state of emergency, banned strikes and invoked provisions to take control of government and public organisations following crippling strikes threatening the government of President Junius Richard Jayewardene.

The state of emergency decision was taken by Mr Jayewardene's Cabinet during its weekly meeting yesterday amid increasing government concerns that strikes launched in the capital and elsewhere in the country are communist influenced, political sources said.

Mr Jayewardene told his Cabinet that the strikes, initially launched last week, should be viewed as a "political challenge," the sources said.

The government took the state of emergency measures following reports that opposition-backed trade unions were laying plans to call a general strike next week that would affect all business and public service sectors, both private and government.

Railway workers walked off their jobs last week bringing train services throughout this island country off the tip of India to a virtual standstill.

Joining the strike earlier this week were employees of the government news media and government-owned factories.

Union members employed in such key sectors as public transport, post offices, banks and government offices announced yesterday they would join the strike today and tomorrow.

To combat the strikes the government also yesterday implemented the Essential Services Law giving it the power to takeover services essential to maintaining order and stability in the country.

Under the law government troops and police can be thrown in to operate transport services, provide a continued flow of food supplies and maintain law and order, among other things.

Mr Jayewardene himself has complete authority to declare what services are essential to the public.

The state-run Sri Lanka Broadcasting Corporation yesterday repeatedly broadcast an official government communique declaring all strikes illegal.

Mr Jayewardene instructed his Cabinet to fire any Federal or state government workers who stay away from their jobs.

Spearheading the strike movement is the major opposition party of former Prime Minister Mrs Sirimavo Bandaranaike's Sri Lanka Freedom Party. The former prime minister was ousted from office in general elections in 1977.

Other opposition parties involved in the strike movement include the Trotskyite Lanka Sama Samaja Party and the pro-Moscow Communist Party of Sri Lanka.

The parties yesterday met and formed a coalition to coordinate their support for the strikes.

The government has not publicly said who it believes responsible for the strikes, but sources said yesterday that the Cabinet discussed what were described as "communist moves" behind them. — UPI

AMBITIOUS ECONOMIC EXPERIMENT RUNNING INTO PROBLEMS

Sri Lanka's experiment with IMF policies in English 24 Jul 80 p.15

(ARTICLE BY DAVID HENDERSON)

(TEXT)

SRI LANKA'S economic experiment is running into trouble. After ending the 1970s as one of the success stories of the International Monetary Fund and with two years of prosperity unparalleled in the decade, Sri Lanka is now one of those developing countries whose investment strategy is being knocked off course by a combination of rising oil prices, global recession and more restrictive Western aid policies.

The difficulties came to the surface during a fierce exchange at the recent annual meeting in Paris of the Aid to Sri Lanka Consortium. Western donor nations pressed for a slowdown in Sri Lanka's five-year public investment programme, which is designed to extend infrastructure and transform the country into a trade and manufacturing centre to compete with Singapore.

The programme was always too ambitious. But Mr Ronnie de Mel, the island's Finance Minister, exploded in anger at the scale of the cuts being pressed on him. He said that the government had, three years ago, introduced "almost revolutionary changes" in conforming to IMF policies and had taken "hard and unpopular decisions" in cutting back welfare subsidies.

The government is now faced with the choice of whether to accept the deflationary measures proposed or turn to the international banks for what Western donors term "expensive commercial financing."

A key factor in its decision is that, though Sri Lanka has been politically quiet, it has a record of violence, trades union militancy and communist agitation that forced the former regime some eight years ago to call in foreign troops to suppress an armed insurgency on the island.

Recollections of this violence, and fears of renewed agitation if the government fails to meet expectations of better living standards and more jobs, no doubt played a part in the recent decision to impose a state of emergency to pre-empt a revival of trades union activity.

Sri Lanka is a test case of IMF realism. When President J.R. Jayawardene's United National Front government took power in 1977, Sri Lanka had one of the most extensive welfare systems in Asia. But it was collapsing under the weight of a stagnant economy and over 1 million unemployed in a population of 14 million.

Under IMF auspices, his government opted for a policy of cutting back on welfare payments to

finance higher levels of investment, and hence more jobs, and of export-oriented growth. The economy's performance is being monitored under the IMF's extended fund programme which carries the toughest of the fund's conditions.

In Mr Jayawardene's first two years, national output expanded at 7 per cent, or double the rate of the early 1970s, investment climbed as the private sector responded to a more open economy and foreign exchange reserves rose.

Much of the new prosperity was due to favourable export prices for tea, rubber and coconuts that account for about 55 per cent of export earnings and provide a significant contribution to incomes and tax revenue. Thus Sri Lanka's terms of trade improved about 40 per cent between the trough of 1975 and the good years of 1977 and 1978.

Colombo has been basking in the backwash of this prosperity. One of the few danger signals has been an inflation rate of about 35 per cent that reflects the hectic pace at which tourism, construction and the service sector have been expanding. Increasingly, the whole island faces slower growth, continuing high inflation and fewer new jobs.

At the heart of this

change is the sharp deterioration in the terms of trade as prices for imported oil and capital goods have risen and prices for tea, the country's major export, have slumped. The terms of trade index for 25 per cent last year and is expected to fall further over the next four years.

There is little chance of offsetting this through increasing the volume export of commodities because of poor estate management in the past. Manufactured goods are coming up against protectionism in the West. Textiles and garments have been the fastest growing manufactured exports and were the backbone of the New Free Trade Zone outside Colombo. But they have been hit by new quotas in the US and it is a difficult time to be striking out into new ventures and products.

The difficulties of the export sector are also dampening prospects for growth and new jobs. But beyond this, the adverse shift in the terms of trade is exacerbating Sri Lanka's balance of payments problems and eroding the government's tax revenues.

The current account deficit will almost certainly double this year to over US\$800 million and could rise to over US\$1 billion by 1982 unless there are curbs on imports.

At the same time, the addition to government revenues from the large IMF-sponsored cutback in welfare payments and subsidies which have fallen from 9 per cent of gross national product in 1973 to 5 per cent this year, has been almost entirely wiped out by the decline in revenues from tea.

In a country with a low per capita income, the government has little scope for imposing additional taxes or further cutting back on subsidies. It will thus have only a meagre surplus of Rs 10.2 billion (£290 million) on its ordinary budget for 1980-81 to contribute to the five-year investment programme of Rs 67 billion on which it is em-

barked.

This programme is the largest Sri Lanka has ever undertaken. Government investment has, in fact, risen from 5 per cent of gross domestic product between 1974 and 1976 to 15 per cent last year. The increase was made possible by a sharp increase in foreign aid which covered 60 per cent of public investment last year.

But over the next five years the programme assumes an annual growth in resources available to the government of 5 per cent in real terms. Under present estimates neither tax revenues nor foreign aid will expand at this pace. To avoid cutting back the programme, the government must either increase domestic borrowing, which risks crowding out the private sector, or seek commercial finance from abroad.

It is on whether to make cuts in the programme, and where, that the government is at loggerheads with the IMF

and Western donors.

President Jayawardene's present goal is to compress into six years the giant 30-year plan for a multi-purpose hydropower and irrigation project on the Mahaveli River. But he also wants to emulate Singapore with high-rise apartments in central Colombo and a new administrative capital outside that smacks of megalomania.

His government's difficulties have been compounded by the IMF's exaggerated idea of the resources available to it. The fund also, and understandably, failed to take account of the dramatic shift in the terms of trade last year. Also to blame are donor nations, including Britain, which committed funds to the Mahaveli project before feasibility studies had revealed its true cost and then left Sri Lanka to make up the difference, thus adding to the island's budgetary problems. — JT

OIL EXPLORATION CONTRACT AWARDS APPROVED

Seven American Firms

Kuala Lumpur BUSINESS TIMES in English 4 Jul 80 p 1

(Text)

COLOMBO, July 3

STATE-OWNED Ceylon Petroleum Corp. will enter into contracts with seven American firms to search for offshore oil around Sri Lanka, it was announced yesterday.

The Cabinet approved contract awards to Sea Hawk International, Oxo International, Payco Exploration, Blue Sky Oil, Voyager International, Albion International Resources and Sumite International.

Cabinet spokesman, Anandathana de Alwis, said the basic concept of the agreements was that the firms will carry out seismic and other surveys and provide data and interpretation to Ceylon Petroleum free of charge.

If the studies indicate petroleum potential, the state-owned firm has the right to enter into production-sharing contracts within an 18-month option period. Terms of the contract will be 20 years,

he said.

Of total oil produced, 40 per cent will be set aside for the recovery of costs and the balance would be split between the contractor and Ceylon Petroleum on a 40-60 basis, later changing to a 30-70 basis.

The corporation earlier entered into an agreement with US-based Cities Service Company to explore for oil off the north-west coast of Sri Lanka, where drilling carried out with Soviet assistance in 1976 revealed no oil deposits.

TOKYO: Sri Lankan and Japanese businessmen decided here today to press their governments for an early conclusion of an agreement to guarantee investments between the two countries.

The decision was announced at the end of a two-day meeting of the private-level joint Sri Lanka-Japan economic committee. — UPI, AFP

(Text)

COLOMBO, July 30

THE state-run Ceylon Petroleum Corporation signed an agreement here yesterday with an American oil company, Cities Service Inc of Houston, Texas, for petroleum exploration in 13,000 square kilometres in the northwestern off and onshore area of Sri Lanka on a production-sharing basis.

This is one of several American firms with which the Ceylon Petroleum Corporation (CPC) plans to tie up in a renewed bid to find oil.

Under the contract signed yesterday, Cities Service Inc will invest US\$5.75 million (Rs12.65 million) during the first two years and if petroleum is discovered 60 per cent of the total production will be set off for recovery of costs and the balance will be split with the CPC, with the split varying with increasing

production. The American firm will bear all costs up to production on stage.

A CPC spokesman said that Cities Service Inc. will also be obliged to set apart a portion of the total production for purchase by the CPC at FOB Sri Lanka price and all Sri Lanka income taxes will be paid by the American firm.

The agreement was signed by Mr V. A. Walston, general manager for East Asia and Australasia of Cities Service Inc, and Mr Daham Wimalasena, chairman of the CPC.

Sri Lanka's Industries and Scientific Affairs Minister Cyril Mathew, who was present at the signing, said the country had been seriously hit by the increase in oil prices and the only way to overcome this situation was to find oil here.

"I remain hopeful that exploration activities will bring good results," he said.

Cities Service Inc was one of several reputed international oil companies that had shown an interest in an offer by CPC to farm out on and off-shore areas for petroleum exploration on a production-sharing basis where the participants would bear all costs up to production stage.

The CPC spokesman said the government has also approved a proposal by another of these firms, the Seahawk group of companies, for a seismic survey in the north-eastern offshore area.

He said an offer from Aracca Petroleum Corporation of USA for a seismic survey in the northern and north-western zones is presently under study while another from South East Oil

and Gas Company of America for a production-sharing agreement in the south was expected to be finalised in a few days.

Sri Lanka began exploration for petroleum as far back as 1944 in collaboration with foreign firms but these efforts, including the drilling of two exploratory wells, did not yield results. — AFP

THAILAND

EDITORIALISTS COMMENT ON KRIANGSAK POLITICAL PARTY

Supporters Said To Be the Rich

Bangkok TAWAN SIAM in Thai 18 Jul 80 pp 6, 11

[Politics, an Interesting Subject column by Dr Pricha Hongkraihoet]

[Text] General Kriangsak Chamanan, the former prime minister, gave interviews to several newspapers after he returned from his recent trip to the [Federal] Republic of Germany. He stated that he and his group are considering forming a political party after the promulgation of the political party statute, which will be read for the third time in the near future.

General Kriangsak Chamanan expressed the hope that he will be able to become a candidate for the House of People's Representatives in the future because he wants there to be a perfect democratic form of government. Also, a reliable news source has stated that the political party that he will form will definitely be called the "Thai Farmers' Party" and that the party will immediately register as a political party if the political party statute is promulgated.

It is expected that several political groups such as the freedom and justice group, the democratic action group, the Kriangsak policy support group, the united Thai group, the provincial development group and so on will join the political party of General Kriangsak Chamanan. There are also people who think that once the political party has officially registered, members of the House of People's Representatives who now belong to various "fragmented" political parties will join the "Thai Farmers' Party" of General Kriangsak Chamanan. Among such people are MPs who have "split away" from the Democratic Party, the Thai Nation Party and the Social Action Party, which are political parties that are part of the

"coalition" government of General Prem Tinsulanon, the present prime minister.

There have been reports that several of the people involved in establishing the "Thai Farmers' Party" are well-known people who are well-off financially, such as Mr Chaisiri Ruangkanchanaset, the deputy minister of commerce in the Khukrit Pramot government, Air Chief Marshal Thawi Chulapap, the deputy prime minister in the Khukrit Pramot and General Kriangsak Chamanan governments, Mr Narong Wongwan, the head of the United Thai Party and deputy minister of interior in the General Kriangsak Chamanan government, Mr Thawit Klinprathum, a former deputy prime minister and the head of the Social Justice Party, Mr Prasit Kanchanawat, a former president of the House of People's Representatives and a minister in several governments, and so on.

Besides this, there have been reports that many MPs who belong to various small political groups will join the Thai Farmers' Party. Thus, if things turn out as expected, the Thai Farmers' Party will be a major party and it may be able to form a government. In particular, General Kriangsak Chamanan has great "influence" in the Senate because the present members of the Senate were appointed by General Kriangsak Chamanan.

Because of this "public" announcement by General Kriangsak Chamanan of his intention to form a political party, the leaders of the political parties that presently form the "Prem" government have had to take measures to more firmly unite the party members who are MPs and keep them from "leaving" easily. Otherwise, the political parties that jointly form the present government may be opposition parties in the near future.

Party To Be Coalition

Bangkok DAN MUANG in Thai 17 Jul 80 p 4

[The Nui Bangkhunthien column by Nui Bangkhunthien: "Playing Politics"]

[Text] General Kriangsak Chamanan, the former prime minister on two occasions between 1977 and 1980, has announced that he will form a political party. He says that his reason for doing this is that he still has time left before he becomes too old and that he has experience in governing the country that he wants to put to use for the benefit of the people of the country.

Concerning what is behind General Kriangsak Chamanan's decision to form a political party, the newspaper has learned that this decision was the result of pressure by some businessmen, bankers, former ministers and MPs who have urged him to become involved in politics. Final plans before publicly announcing the decision were made in Germany when General Kriangsak took his son to school there.

From what has been learned, the method of General Kriangsak Chamanan's political party is not to find new candidates to wage a battle for election in the next period. Rather the method to be used will consist of combining groups of MPs who belong to various parties and independent MPs who support [this party]. It is estimated that the party will have a total of 150 MPs.

Concerning this figure of 150 people, if there really are this many, it means that at least 40 MPs who belong to the Social Action Party have defected to General Kriangsak. The number of MPs who [have defected from] the Democratic and Thai Nation parties is uncertain.

But this is just an estimate. The real figure may be completely different.

Concerning a personal matter, General Kriangsak must return to the political stage once again. He is past the age of 60 already and, like General Prem Tinsulanon who will retire from government service this year, he is free from all army affairs.

Looking from the position of both these men, which amounts to a very wide gap, in this great gap all types of political events can occur. History teaches us that politicians who have gained power through a coup d'etat or by other means without the consent of the people come to a rather twisted end at the end of their life.

This is different from civilian politicians. When someone "sticks a gun in their back," they can quickly flee. But they do not have to flee anywhere but can stand side by side with the people. And they can stand for election and again govern the country.

Politics is a matter of playing with the interests of the country and these are great interests. Politicians cannot free themselves from the desire for rank and adulation. It is

difficult for people who have once tasted such things to give them up, especially if an opportunity [to regain them] presents itself.

Concerning the political party of General Kriangsak, it is rumored that the name of the party is the "Thai Farmers' Party" and that its goal is to help the farmers throughout the country. The shirts stamped with the slogan "The Year of the Farmer" will become a hit again and wherever you go you will hear the words "Thai farmers."

Political party politics that is orderly and secure is more beneficial than independent politics. General Kriangsak Chamanan, the former prime minister, is the first person to resign from this position and then form a party to fight for power again.

What direction will Thai society take? Will the young soldiers try to continue the military's control of the country? And will the soldiers who have retired use various tricks? Only time will tell.

This will continue as long as the military has influence over others.

Kriangsak Seeking Funds

Bangkok TAWAN SIAM in Thai 16 Jul 80 p 5

[Breezes Through the Hills column by Ing Orn]

[Text] Even though it is true that General Kriangsak Chamanan does not have any position, that is, he does not have any power and does not have any direct responsibilities in governing the country, he is still a frequent subject of reports in the newspapers.

The latest news about the actions of General Kriangsak is that he has admitted that he will form a political party.

He talked with reporters after he returned to Thailand last Saturday from his trip to Germany, which he made in order to take his son to school there.

A reporter asked him about the fact that while he was in Germany, there were reports that approximately 100 members of the House of People's Representatives had made preparations to form a political party and that General Kriangsak was to be the head of the party.

General Kriangsak responded by saying that a party will be formed if it becomes necessary to do so. But forming a party requires financial support. If people cooperate and there is adequate financial support, a party can be formed and not just a party committee. It must be determined whether there is enough support because things must be carried out at the grass-roots level.

However, General Kriangsak also stated that if a party is formed, it must be formed in such a way that it is secure. But, at present, the political party statute has not yet been promulgated and so we must wait and see.

After the political party statute has been promulgated, [1] will talk to the reporters again. At present, the only thing [1] can say is that [1] am thinking about forming a political party.

The freedom to form a political party is a right of the people stipulated in the constitution, the highest law [of the land].

Thus, if General Kriangsak wants to form a political party, he has the right to do so and no one [has the right] to hinder or stop him.

After listening to the replies and following the movements of General Kriangsak during the past period, that is, after he resigned as prime minister, it must be admitted that General Kriangsak still longs to be prime minister and that his wish is to again play a political role.

In the past, General Kriangsak stepped onto the political stage by using force to carry out a coup d'etat to overthrow the Reform Council government in 1977.

After the promulgation of the 1978 constitution, which everyone knows was written in order to give the position of prime minister to General Kriangsak, General Kriangsak again took the position of prime minister.

Even though it can be claimed that he took power in accord with the constitution, it cannot be claimed that he came to power in a democratic way.

At best, this was only a semidemocratic way.

For this reason, since General Kriangsak is thinking about forming a political party after the promulgation of the

political party statute, it means that he intends to enter politics again in a really democratic way.

This is something that is very pleasing and admirable because it is better to do things this way than to "play politics" by carrying out a coup d'etat as was easy for General Kriangsak in the past.

But since General Kriangsak intends to engage in politics using a democratic method, that is, engaging in politics using the party system, I am in favor of allowing him to engage in politics in a correct way or allowing him to "come in from the road and leave by the door," which means forming a political party, openly telling the people what his policies are and putting up candidates for election in order to find out the preferences of the people using the party system of politics that is practiced in democratic countries in general.

[He] should not gather together members of the House of Representatives who were elected on the basis of various policies and ideals, like taking a shortcut, as the politicians and influential people in Thailand have preferred to do in past periods.

Because, political parties of the type just mentioned are composed mainly of "ghost" type members.

Concerning what has been said above, this does not mean that I am worried about General Kriangsak. We are not related or acquainted.

The only thing I am worried about is the survival of the Thai democratic system.

Role of Military in Politics Analyzed

Bangkok BAN NUANG in Thai 16 Jul 80 p 5

[Ta No Lo column: "Don't Change Horses In the Middle of a Rapid Stream"]

[Text] "Soldiers have three great weaknesses as political leaders....If we do not put an end to the theory that the prime minister should be a soldier, there will be a change every year at retirement time."

Major General Athit Kamlangee, one of the "young soldiers," gave an interview to the newspaper MATICHON. The interview, which appeared in the Sunday, 13 July, issue, concerned who will become prime minister.

He said that because of the dangerous situation that the country is presently facing from outside the country, the person who becomes prime minister should be a soldier.

This is the same old reason that we have heard over and over again.

Many civilians also think like this and so there has not been any development at all.

He said that "it will be good if the prime minister has a position or if he holds an important position in the military. This will allow us to develop our military forces quickly because when the government understands the needs of the army, it will provide support."

But I feel that a prime minister elected by the people will "understand the needs of the army" too. A clear example is that when the United States lost the war in Indochina, Khukrit Pramot, who was then prime minister, immediately approved a budget of 20 billion baht to improve the army.

A prime minister who is a soldier may even hesitate because of the fear that the people will attack him and accuse him of pandering to the military.

Major General Athid said that "in the country's present situation in which we face dangers from abroad and it is necessary to use military force like this, I think that this is necessary because [a military prime minister] is likely to have a better understanding in making various decisions."

But I do not feel that having a civilian prime minister presents an obstacle to carrying out military actions because the prime minister must listen to the ideas of the supreme commander and to the commanders in chief of the army, navy and air force.

If all four of these commanders are capable people, there will not be any problems.

Churchhill, the prime minister of England, and Roosevelt, the president of the United States, won the Second World War and both were civilians. Indira Gandhi, the prime minister of India, defeated Pakistan; she is a civilian and a woman.

They won because they had skilled generals.

However, the idea that the prime minister of Thailand must be a soldier because of threats to the country from abroad is an idea that should be put in a museum.

[Photo not reproduced]

[Photo]: Field Marshal Thanom Kittikachon, a former prime minister.

[Photo not reproduced]

[Photo]: General Kriangsak Chamanan, a former prime minister.

The danger from abroad in this period is much different from that of previous periods because the fighting must be carried on using both international politics and the military.

It is not true that all the soldiers are equally capable in the field of international politics.

And it is not necessary that the prime minister be a soldier or that he be skilled in international politics because this is a matter of teamwork.

The necessary quality of a prime minister is that he "be a leader."

In the present half-democratic system, we should be generous enough to admit that both civilians and soldiers can have the qualities of a "leader."

Is this too much to ask of each other?

The country's [situation] in the world at present and the administration of the country are too complex and delicate for the use of the theory that "the military leads politics."

[Photo not reproduced]

[Photo]: General Prem Tinsulanon, the prime minister.

The theory that the "military leads politics" has three weaknesses:

The first weakness is that a government headed by a prime minister who is a soldier is weak because it is not conscious, that is, it must constantly humor the people. The government must humor the people about various trivial matters in order to preserve its popularity. [For example], it must think twice even about raising bus fares 50 satang [1 satang equals 0.01 baht].

It is as if this government is more afraid of the people than is a [government with a] civilian prime minister who comes from the people. A military government causes the people to be undisciplined out of a lack of awareness and turns the people into weak children.

After 48 years of democracy, the people are still not "adults" because they have been kept in the "military leads politics" system.

The second weakness is that it makes the people too sensitive toward the military and makes them suspicious about political matters involving the military.

The third weakness is very important. Politics is a field involving philosophical ideas; it is not a science. Ideas change in accord with various factors, just like the weather. Today people may agree; tomorrow they may differ. Politics is, therefore, bad for those circles that have to "cling to each other" and for those circles that are armed.

To summarize what has happened:

The most important thing, which has almost become a tradition, is that the supreme commander or the commander in chief of the army must also become the prime minister.

Desires arise in more than just one person because soldiers are ordinary people. They are not ascetics who eat only once a day, follow the eight precepts and do not engage in sexual activities like Colonel Chamlong Simuang.

Even though one person may not have great desires, others will and this will give rise to groups of supporters who act like vocational students on the football field.

There are fewer and fewer capable military leaders.

The problem is that if we do not put an end to the theory that the prime minister should be a soldier, there will be a change every year at retirement time.

General Prem will retire this October.

What will you do with Mr Prem?

Take a good look around you if you plan to change horses in the middle of a rapid stream.

Kriangsak To Have Central Role

Bangkok SIAM RAT in Thai 15 Jul 80 p 6

[Just For Fun column by an "Old Soldier"]

[Text] Pleasing sounds have been heard -- General Kriangsak Chamanan has returned from Germany.

Yes. He has returned. Why did he go? I don't really know but upon his return, the former prime minister immediately gave an interview concerning politics.

That is, [he discussed] the matter of his forming a political party.

General Kriangsak stated that he still has enough time left to serve the country 4 or 5 more years and he must serve the country in a direct way, not in a zigzag manner. That is, he will form a political party and become a candidate for the House of People's Representatives. Besides this, General Kriangsak spoke like a seasoned politician who was once prime minister.

The party system of politics will be engaged in in earnest. The party, party committee and party members will not be just passive elements.

Concerning these political words of General Kriangsak, I have heard enough to be able to translate his meaning. His words are like those of General MacArthur when the Japanese army forced him to flee to Australia.

But General MacArthur was more succinct and explicit.

And immediately after General Kriangsak openly expressed his view on politics, several members of the House of People's Representatives expressed their approval and their intention to support the formation of the political party of General Kriangsak.

Based on what I heard during this interview with General Kriangsak on the formation of a political party, even though

General Kriangsak is thinking about forming a political party in order to carry on things in a really political manner in the future. General Kriangsak has still set some conditions.

These conditions concern the political party statute. General Kriangsak has said that there must be a political party statute before [he will form a party].

The political party statute is presently being read for the second time in parliament. Thus, this should not be any problem and it should not be too long for his supporters, who will be party members, to wait.

A condition that is a problem is the financial problem. I am sympathetic about this because forming a political party in this period is an activity that requires capital and large amounts of money must be invested depending on the size of the party. An important person like a former prime minister who intends to form a party must spend much money. An important and interesting point is that establishing a political party is different from establishing a business.

Because, after the money has been invested, the money is gone. There are no return monetary rewards, only honor and fame. A person who forms a political party must really be a dedicated person.

The financial problem was one reason that General Kriangsak was unwilling to form a political party during the period he was prime minister.

But it is my understanding that, at the present time, money should not be a very great problem because General Kriangsak should now have enough money of his own.

He should be willing to use his money for political gains in order to gain honor and fame for himself and his family.

Another thing that I am sure of is that General Kriangsak does not have to worry about where he will get money to use to form his political party. I am sure that General Kriangsak has both secret and open financial sponsors or backers.

I am sure about this because General Kriangsak was prime minister twice. He showed what his talents and skills were when he was prime minister.

There are certainly still people who have confidence in the skills of General Kriangsak and they are ready to help him become an important politician again so that he can become prime minister for a third time.

Thus, I do not feel that [he] has to worry about [where to get] money to form the party or to pay expenses within the party.

We now come to the matter of his followers, who will be members of the party.

General Kriangsak does not have to worry about this either because there are still members of the House of People's Representatives who are loyal to him. However, how long they will remain loyal depends on the environment, especially on the financial [situation] of the party.

I see only one important factor in General Kriangsak's forming a political party and that is, after the political party has been established, how can General Kriangsak become prime minister when General Prem Tinsulanon is still prime minister with a rather strong base of support both within and outside parliament?

If we discuss things from the standpoint of democratic methods with the constitution as the basis, if General Kriangsak forms a new political party, he will have to become a candidate for the House of People's Representatives. [But after] forming the political party, he will have to wait almost 2 years.

That is, he will have to wait until new elections are held to elect people to the House of People's Representatives. At that time, the articles in the constitution that were only temporary will no longer be in force and the importance of the political parties in the House of People's Representatives will have increased greatly.

During that period, General Kriangsak's political party should be secure and stable. Even though General Kriangsak will be older, he will be only 2 years older. And after that, the political party of General Kriangsak can field candidates for election throughout the country.

And if more than half of the total number of people elected to the House of People's Representatives are members of his party, General Kriangsak must certainly be included among those with a chance of becoming prime minister.

Yes. If the plans are really carried out in accord with the political strategy formulated by the former chairman of the joint chiefs of staff, the outcome of the matter should be certain.

But political strategy is very different from military strategy.

Several politicians who have made beautiful political plans have ended up "spitting blood" like Chiu Yi [a character in the Chinese novel "The Three Kingdoms"].

It will be interesting to see if General Kriangsak too ends up like Chiu Yi.

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